



FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND APRIL 23/APRIL 24 1994

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Clinton nominates two pragmatists as Fed governors

President Bill Clinton put a Democratic stamp on the US Federal Reserve by nominating two pragmatic academic economists to fill vacancies on its seven-member board of governors.

His choice of Alan Blinder, a member of the White House Council of Economic Advisers, and Janet Yellen, an economist at the University of California, comes at a critical juncture for US monetary policy. Page 16

Exxon and Mobil, the two biggest US energy groups, more than offset lower earnings from exploration and production in the first quarter with higher profits in their refining and marketing activities. Page 13

Trade threat to China: A consensus is emerging in Congress and the Clinton administration that the president will be forced to revoke China's Most Favoured Nation trade status unless Beijing improves human rights. Page 3

'Fair labour' plea: The introduction of fair labour standards into international trade agreements should be based on the principles of the International Labour Organisation, its director general, Michel Hansenne, said. Page 3

Palestinian rivals reach accord: The two main Palestinian militant factions in the Gaza Strip agreed to end attacks on each other and set up a committee to resolve differences. Page 4

Sharp rise in M4 lending: Strong UK private-sector lending figures provided evidence that companies are beginning to take on more debt. M4 lending was a seasonally adjusted £3.3bn last month, well ahead of expectations of £1.5bn. Page 6

UK shares end week in sparkling form

UK shares ended the week and the account in sparkling form as a powerful performance by US stocks and bonds on Thursday evening and the emergence of yet more takeover activity injected some much-needed confidence into the market. The FT-SE 100 index, which came under severe pressure for much of the week, rebounded strongly, closing a net 32.5 up at 3,133.7 and reducing the fall on the five-day period to 34.6. London stocks, Page 17; US stocks, Page 23 and Weekend 11.

Union des Assurances de Paris, French insurance group in the process of being privatised, is to raise about FF70bn (\$50bn) in new capital, the French economics ministry said. Page 13

US seeks tougher sanctions: The US administration said it would press for tighter trade sanctions against Haiti's military regime. Page 3

Hokkaido Tokai Bank, one of Japan's 11 commercial banks, is to cut its dividend for the first time in 33 years following heavy loan write-offs which threaten to push pre-tax profits sharply lower. Page 13

ITT Sheraton of the US is believed to be hoping its deal to buy Ciga, the Italian luxury hotel chain, can be salvaged, despite indications that it faced collapse. Page 13

Ban on sale of Aids art: Swedish health authorities have banned the sale of some works by US artist Barton Liddle because they feature Aids-infected men's blood, according to the owner of a gallery in the southern Swedish town of Lund where the works are on show.

Hata looks to end trade row: Tsutomu Hata, nominated by Japan's ruling coalition as its candidate for prime minister, pledged to forge ahead with economic deregulation and to resolve the trade dispute with the US. Page 4

Mixed results for banks: Argentina, Banco Bilbao Vizcaya and Banco Santander, the three Spanish banks bidding to acquire the Banesto financial group, reported mixed first quarter results, reflecting narrowing margins. Page 13; Banesto bidders fear the wild card, Page 13

Ford has chosen to locate only one of its planned five global vehicle programme centres in Europe, under the most radical organisational shake-up in its 91-year history. Page 11

STOCK MARKET INDICES		STERLING	
FT-SE 100	3,133.7 (+32.5)	New York Composite	1,483.8 (+1.48)
Yield	5.00	Dow Jones	1,483.8 (+1.48)
FT-SE 100 Dividend	1,483.8 (+1.48)	Dow Jones Industrial	1,483.8 (+1.48)
FT-SE 100 P/E Ratio	12.57 (2.52)	Dow Jones Industrial	1,483.8 (+1.48)
New York Composite	1,483.8 (+1.48)	Dow Jones Industrial	1,483.8 (+1.48)
Dow Jones Industrial	1,483.8 (+1.48)	Dow Jones Industrial	1,483.8 (+1.48)
S&P Composite	1,483.8 (+1.48)	Dow Jones Industrial	1,483.8 (+1.48)
US LUNCHTIME RATES		DOLLAR	
Federal Funds	5.75%	New York Composite	1,483.8 (+1.48)
3-mo Treasury Bill	5.50%	Dow Jones Industrial	1,483.8 (+1.48)
Long Bond	8.00%	Dow Jones Industrial	1,483.8 (+1.48)
Yield	7.25%	Dow Jones Industrial	1,483.8 (+1.48)
LONDON MONEY		DOLLAR	
3-mo Interbank	5.75% (5.50%)	New York Composite	1,483.8 (+1.48)
Life long rate	10.74% (10.74%)	Dow Jones Industrial	1,483.8 (+1.48)
NORTH SEA OIL (Augsburg)		DOLLAR	
Brent 15-day (Jun)	\$15.55 (15.12)	New York Composite	1,483.8 (+1.48)
Oil		Dow Jones Industrial	1,483.8 (+1.48)
New York Comex (Jun)	\$372.1 (\$374.7)	Dow Jones Industrial	1,483.8 (+1.48)
London	\$380.5 (\$372.7)	Dow Jones Industrial	1,483.8 (+1.48)

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Bombing raids threatened unless attackers withdraw from Gorazde enclave today

Nato air strike ultimatum to Serbs

By Gillian Tett in Brussels

Nato yesterday warned the Bosnian Serbs that they would face bombing raids unless they withdrew from the enclave of Gorazde, where more than 500 people have been killed and 1,700 wounded in a Serb offensive.

Ambassadors from the western alliance demanded an immediate ceasefire, withdrawal of all Serb forces from a 3km exclusion zone by midnight GMT tonight, and access to the town for peacekeepers and medical workers.

If these demands were not met, air attacks could start against any Serb military targets within 30km of the city, Nato said.

The threat was issued just four hours after the ambassadors began an emergency meeting in Brussels, underlining a sense of urgency over conditions in Gorazde, where more than 500 people have been killed and 1,700 wounded in a Serb offensive.

In Washington President Bill Clinton said "the Bosnian Serbs should not doubt Nato's willingness to act". Mr Manfred Wörner, Nato secretary-general, said: "Half-measures will not do. The alliance has decided to take resolute action. The situation demands action."

The United Nations released a report from an Irish doctor in the

City where the dead are lucky. Page 2

beleaguered enclave describing conditions as a "living hell" where "only the dead are lucky". Nato's new threat implies a tougher use of air power than the bombing raids earlier this month, which were technically described as "close air support" and failed to halt the Serb advance on the city.

Bombing targets would be defined by the alliance in consultation with Unprofor, the UN protection force in Bosnia, according to a Nato statement.

This indicated that the alliance had secured greater freedom of action in choosing where to attack Mr Robert Hunter, US ambassador to Nato, said that under the new mandate, "Nato can initiate the attacks. We are not doing this at the request of the United Nations".

As the ambassadors issued their warning from Brussels, Mr Yasushi Akashi, the chief UN representative in former Yugoslavia, was holding talks with Serb leaders in Belgrade in an attempt to defuse the crisis.

The speed of Nato's decision reflected broad agreement among the allies that much tougher

action was needed if the alliance was not to face further humiliation, diplomats in Brussels said. The new Nato initiative, strongly promoted by the US, is an attempt to extend to Gorazde and later to four other UN-designated safe havens in Bosnia the combination of threats and diplomacy which brought peace to the Bosnian capital, Sarajevo, in February.

One Nato official said yesterday: "If we learned anything from Sarajevo it's that we've got to speak and act tough and clearly if this is going to work at all."

Yesterday's statement stressed

that the threats were being issued in compliance with resolutions 824, 838, and 844 of the UN Security Council, which allow force to be used to protect the safe havens.

European leaders have been alarmed by calls from influential US politicians for a broad air attack on the Serbs, going well beyond the safe havens. In Washington, Senator Sam Nunn suggested bombing Serbia proper.

In Belgrade the British embassy announced it was evacuating dependants of embassy officials and non-essential members of staff.



German economy could top 1.5% growth, says Rexrodt

By Michael Lindemann in Bonn and Christopher Partee in Frankfurt

German economic growth may outstrip the government's earlier expectations of a maximum 1.5 per cent this year, Mr Günter Rexrodt, economics minister, claimed yesterday.

Results from the first quarter alone ensured that gross domestic product would expand by 1 per cent for the year as a whole, Mr Rexrodt told a press conference.

Several industrial sectors had reported better-than-expected sales, and export orders had risen a real 12 per cent over the last three months.

But he cautioned that growth would not automatically mean more jobs, and the average number of unemployed would remain about 3.5m, close to the post-war high reached in January.

His outlook was markedly more optimistic than the latest forecasts from a number of economic institutes and other organisations. The Federation of German Industry (BDI) said this week that the chances of a strong

recovery remained limited. The minister's forecasts for unemployment also conflicted with economists' estimates that the jobless total would climb to 4.5m by the end of the year and continue rising. But the minister, apparently intent on painting as bright a picture as possible ahead of next month's state and local elections, shrugged off their figures.

"Our growth forecasts were greeted with considerable scepticism by the opposition and others at the beginning of the year," Mr Rexrodt said. "In the meantime it is becoming ever more obvious that our expectations were well founded."

The chemical and automotive industries had reported the best results, he claimed. Construction, steel and engineering industry also showed signs of growth, while prospects for the textile and electrical industries showed little improvement.

The minister's bullish mood was partly supported by trade figures published yesterday which showed visible exports rose 6 per cent in February, while imports increased more than 7 per cent.

According to Mr Rexrodt, economic growth in east Germany was still being driven by construction, which he expected would raise output by 15 per cent this year. Industrial production had also risen 19 per cent in the last six months.

Judy Dempsey adds from Berlin: Chancellor Helmut Kohl's governing Christian Democratic Union is slowly clawing back lost ground in the latest opinion poll by Ipsos, the Mannheim-based Social Research Institute. But the Free Democrats, its junior coalition partner, could fall to reach the 5 per cent threshold required to enter the Bundestag (parliament) in October's federal elections.

The CDU increased its share of the vote by 7 percentage points to 39 per cent in western Germany, and by 2 points to 34 per cent in the east, compared to an Ipsos poll taken last December. The FDP slipped by 1 point to 4 per cent in the west, and by 3 points to 3 per cent in the east.

Support for the opposition Social Democrats fell in the west to 41 per cent, but increased in the east to 40 per cent.

Mandela woos exchange foes

Mr Nelson Mandela yesterday told members of the Johannesburg Stock Exchange that he is committed to an economy based on market principles.

"The stock exchange has an important role in the development of our country," he said in an election address. Brokers applauded the African National Congress leader (pictured above), who once described the exchange as a "casino". Page 26

Tough approach by Offer could cut power prices

By Michael Smith

Domestic electricity prices could rise by significantly less than feared next year following indications by Offer, the industry regulator, that it will take a tough approach in reviewing the regional power companies' highly profitable distribution businesses.

Some regional electricity companies said privately last night they would consider calling in the Monopolies and Mergers Commission if Prof Stephen Littlechild, Offer director general, sticks to the policies he has indicated he favours in a confidential letter to them.

Analysts say his policies could lead to prices, excluding tax, falling by up to 7 per cent from next April. This would go a considerable way towards alleviating the 9.5 per cent rise which will result from the increase in the rate of value added tax, scheduled to rise from 8 per cent to 17.5 per cent at the same time.

Further price falls are likely. Prof Littlechild indicated that he expects distribution prices, which account for about a quarter of the final cost of electricity, to rise by 3 to 4 percentage points below the rate of inflation in future.

Securities houses warned that if Prof Littlechild does not compromise, the companies could suffer a fall in earnings per share of up to 30 per cent in the year beginning next April, when the price controls are due to take effect.

Shares in the regional electricity companies fell sharply yesterday after details of Prof Littlechild's letter leaked out. East Midlands Electricity, based in Nottingham, fell 27p to 571p. Bristol-based Sweb declined 23p to 585p and Yorkshire Electricity fell 22p to 587p.

Several electricity company chief executives said Prof Littlechild's letter was merely an opening shot. "It is not that much worse than we expected," said one. "He is bound to be open to compromise."

However, recent criticism of the regulatory system will encourage Prof Littlechild to adopt a settlement that will be seen as harsh on the companies. Negotiations on the distribution price review, promised by the government when the industry was privatised four years ago, have already been under way for

Continued on Page 26
Lex, Page 26

Sex complaint forces resignations

By Antonia Sharpe

Three male foreign-exchange dealers have resigned from the London branch of Goldman Sachs, the blue-chip US investment bank, following complaints of sexual harassment by a female colleague.

Sources at the bank said the dealers were asked to leave after their secretary complained to a superior that they had made distasteful suggestions when she had asked their advice on how to go about getting a promotion.

A spokesman for the bank declined to comment on the circumstances of the men's departure but said the bank had a strict policy on conduct which it expected its employees to follow. Individuals who were repeatedly seen to breach this code would be asked to do "the appropriate thing", he said.

The high proportion of men on trading floors has tended to expose women, especially support staff, to sexual discrimination and harassment in the past. However, Goldman's action

reflects a growing intolerance among senior management towards this kind of behaviour. In line with US working practices, many banks in the City regularly remind staff that sexual harassment will not be tolerated. Some have also set up telephone hotlines so that employees can anonymously register their complaints, which will then be investigated.

In spite of this progress, women working in the City say the "glass ceiling" impeding their promotion still exists.

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NEWS: INTERNATIONAL

Battle begins for the Other Europe

They met in the Salon de la Paix, in a sumptuous Parisian hotel, but they came to do battle, writes John Riddling in Paris.

Their enemy is the Europe of Maastricht, and their cause is the Europe of Nations, a political movement formed to fight in June's European elections.

They are a surprising mixture of bedfellows. Sir James Goldsmith - Jimmy to his French friends - is at the heart of the struggle. Having discarded dawn raids for environmental concerns, the former international financier is to stand as a candidate on the list

Euroceptics aim to infiltrate the Strasbourg parliament

put forward by L'Autre Europe, a French party formed to campaign in the European Parliament elections.

Sir James is second on the Other Europe's list for France's European polls. Above him is the founder of the party, Mr Philippe de Villiers - a vicount, a member of parliament and the suave French champion of the anti-Maastricht cause. Number three is Mr Charles de Gaulle, grandson of the general, and an existing member of the European Par-

liament. "My grandfather would never have stood for Maastricht," he says. "He would have fought to prevent the disappearance of France."

Seated around them yesterday were Euroceptics from 10 European countries; Mr Bill Cash, the Tory MP, and Lord Stoddart the Labour peer, rubbed shoulders with Maastricht dissidents of the left and right of the political spectrum from Scandinavia, Austria, Germany and Spain.

To launch their movement

the representatives put their name to the Declaration of Paris - a tract condemning what the signatories see as a dangerous trend to centralisation. Their aim is to infiltrate the European Parliament in Strasbourg, undermine the Maastricht treaty, and prevent the "asphyxiation of Europe".

"This debate transcends left and right," declares Sir James. "It is about the fight against a federal Europe and building a proper, democratic Europe. History shows that excesses of

the centralisation of power unleash a reaction of centrifugal forces."

But are Sir James and his allies not titing at windmills? Has the principle of subsidiarity not pulled the rug from beneath their nationalists' feet?

"Subsidiarity has been so abused that it has become deeply polluted as an ideal. It should not be about determining the size and shape of cucumbers," he replies. As for the windmills: "Whether it is quixotic or not, I won't change

one word of what I believe."

Despite being dismissed in France by the ruling RPR-UDF coalition and the opposition Socialist party, Sir James and Mr de Villiers are confident of support.

Sir James says an audience of 1,500 showed up at Angers to hear the views of L'Autre Europe; 2,000 came to Nantes.

"We will win a substantial vote," says Mr de Villiers. How substantial, he is reluctant to predict.

"It is at the end of the fur that one counts the cowpats," he says, citing a rural French proverb.

UN aid group describes the 'living hell' of Gorazde City where the dead are lucky

By Laura Silber in Belgrade and Bruce Clark in London

Even as Nato diplomats in Brussels mapped out plans to step up the use of air power over Gorazde, the United Nations High Commissioner for Refugees said its premises in the city were coming under artillery fire.

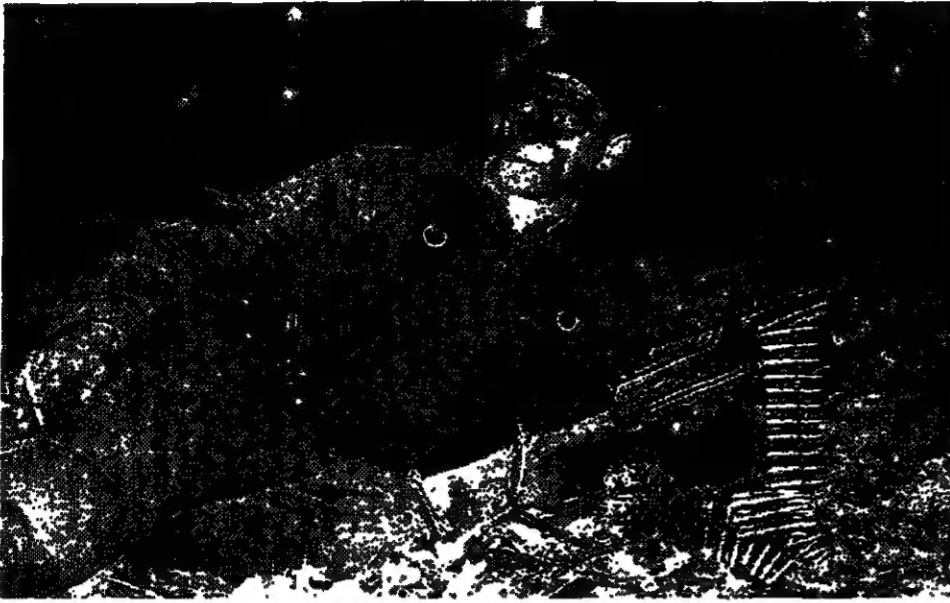
To judge from the picture painted by UNHCR, the "living hell" of Gorazde amounted to the greatest concentration of civilian suffering in a single space seen during two years of war in Bosnia.

UNHCR volunteers in the enclave said they had lost contact with the town hospital, where about 30 people have been killed and all surgical equipment destroyed in artillery attacks by Serb forces, who say the building is being used for military purposes.

The building was shrouded in smoke and the upper storeys largely ruined, but people were still sheltering in the basement, according to UNHCR officials. It stands on the right bank of the river Drina, which is mainly Serb-controlled.

In the latest attacks, the UNHCR building - on the left bank - took several hits from shells, and three people were killed by a shell that landed nearby.

At least 97 people were killed on Thursday - the highest casualty figure for a single day



A Bosnian Serb soldier, his face painted, rests beside his machine gun in northern Bosnia.

- bringing the known casualties in this month's battle for Gorazde to 535 dead and 1,740 injured, according to a UNHCR statement.

In an unusual move, the UN agency made public the full text of a message received yesterday morning from an Irish doctor in the town, Dr Mary McLaughlin. It reads in part: "Greetings from a city where only the dead are lucky. The last two days have been a living hell..."

"Both residents and refugees are crowded into crumbling buildings waiting for the next shell."

"When it hits, many are killed as there are such crowds in each building."

"The wounded lie for hours in the debris as it is suicidal to try to bring them to the hospital. One UNHCR local worker said he could hear the cries of the wounded in the houses in his journey to our cellar yesterday."

"[In the hospital] shells batter down the walls and machine gun fire rakes the wards... The Serb excuse for targeting it is that it is a military institution. I've been in all parts of the hospital 100 times in the last month and can assure the outside world that it's a lie."

"The dead are hastily buried at night by covering them with a thin layer of sand. If it ever gets hot here, there will be epidemics..."

Swiss clean up rules on dirty money

Switzerland's private bankers have long tended to have a smug attitude to questions about accepting dirty money.

"We have always been extremely careful about who we will accept," one Geneva banker said recently. They say that even in the bad old days, when the famous anonymous numbered accounts were permitted, they always checked their clients' credentials thoroughly.

These claims ring rather hollow in the light of the latest case of dirty money - a \$150m (£102.7m) account at Union Bank of Switzerland in Zurich held openly in the name of Mrs Sheila Miriam Arana de Nasser, wife and partner of a suspected big-league Colombian drug dealer.

Swiss bankers now admit loudly that their screening of clients was perhaps not quite as rigorous in the 1970s - when this particular account was

opened to detect a problem.

The commission acknowledged the difficulty, saying that "it is not the banks' responsibility to investigate systematically all customer transactions for a possible connection to criminal activities".

That said, UBS' local competitors still have trouble understanding this case. They say that now banks have put customer accounts on computer files, it is not difficult to isolate all the *Arana* from, say, Colombia or Sicily for a special audit. Also, bankers say they now scan the international newspapers for scandals and criminal activities out of fear that some of those involved are among their clients.

But the prevailing view among Swiss bankers remains rather fatalistic - that a banking centre like Switzerland which specialises in attracting investment funds from rich individuals will inevitably also attract criminals.

"They have to place their money somewhere and they prefer to do it in the biggest and most efficient financial centres," a Swiss Bankers' Association spokesman stressed.

The Swiss doubt that they need further legislation to combat criminal money. In the past four years they have put in place what they believe is one of the best prevention and prosecution systems in the world.

Money laundering has become a criminal offence, which allows the Swiss police to co-operate fully with their foreign counterparts.

Bankers are obliged to know the real owners of all their accounts and are forbidden from accepting criminal money. Acceptance of such money through negligence is also punishable.

Later this year two additional legal reforms will complete the package, one permitting bankers to denounce suspected criminal clients to the police and the other making membership in a criminal organisation a criminal offence. This will enable the Swiss authorities to co-operate with Italy in Mafia investigations.

The one consolation arising from the latest case is that it showed that the Swiss, who often turned a blind eye to financial crime in the past, are now willing to move quickly when suspicions are raised.

Once the facts were known, the authorities froze the bank account and arrested Mrs Arana at her home near Geneva.

The Banking Commission and the Bankers' Association have already launched investigations of UBS' conduct, and the bank has suspended a vice-president responsible for the account.

The Swiss, at least, believe that the message to both banks and money launderers is clear.

Complacency has given way to concern, writes Ian Rodger

opened - and before as it is today. "We were not as sensitive to money laundering then," Mr Stephan Haeringer, UBS director, conceded last week.

But bankers were surprised that UBS was the one caught out. Switzerland's largest bank is renowned for its careful scrutiny of potential customers. In the late 1980s, for example, UBS alone among the three large Swiss universal banks managed to steer clear of Robert Maxwell, Polly Peck, Olympia & York, Omni and other big corporate groups that subsequently collapsed. It was also the first Swiss bank to refer the deposits of foreign politicians to the executive board.

The problem, Swiss bankers say, is one of *Alibates*, a German word describing old deposits of toxic waste. All the well-established banks have accounts like that of Mrs Arana that were opened years before screening was tightened. And like concentrations of toxic waste, these accounts can explode at any time without warning.

The Swiss Federal Banking Commission's 1992 guidelines to bankers provide no fewer than 30 pointers to help them detect whether or not money is being laundered. But all of them have to do with transactions - withdrawals, purchase of drafts, transfers or excessive cash movements.

If, as in the Arana case, the account lies virtually dormant for several years, it is more difficult for the bank's internal

INTERNATIONAL NEWS DIGEST

Ukraine stand over Chernobyl

Ukraine is refusing to close the Chernobyl nuclear power plant, Mr Valery Shmarov, deputy prime minister, told a meeting of the International Atomic Energy Agency (IAEA) in Vienna yesterday. Dismissing suggestions by the agency and western governments that the plant was unsafe, Mr Shmarov insisted Ukraine would keep the plant going even after five other nuclear reactors now under construction were commissioned.

Ukrainian officials say their country cannot afford to buy oil, gas or coal, and that 15 per cent of the government's annual budget has gone towards cleaning up the contamination from Chernobyl since the 1986 accident, when one of its reactors exploded and released a cloud of radioactive dust into the atmosphere and over Europe. Officials discussed the findings of an IAEA team's inspection of Chernobyl at the beginning of March during which several safety deficiencies were detected at the plant's two reactors, both of which were due to be decommissioned this year.

Ukraine's hard line at the two-day meeting called by the IAEA to try to find a solution to the Chernobyl problem effectively leaves western governments without an alternative. The plan was to offer western help in completing other reactors in exchange for closing down Chernobyl. Patrick Blum, Vienna.

Ireland considers Bosnia role

Ireland has moved a step closer to abandoning its traditional policy of military neutrality by announcing that it is prepared to consider sending troops to help UN efforts in eastern Bosnia. Mr Dick Spring, foreign minister, told reporters yesterday that the Irish government was prepared "to consider any request" from the UN for the sending of troops to Bosnia. Ireland has no troops of its own at present in the former Yugoslavia, but it has more than 1,000 of its 12,000-strong defence forces serving overseas on UN peacekeeping missions, most of them in southern Lebanon. In a significant departure from traditional policy, a decision was taken last year to send Irish troops in logistical operations under UN command to Somalia on a "peace-enforcement" - as opposed to a "peace-keeping" - mission. Tim Cooney, Dublin.

Agreement on EU steel rescue

European Union industry ministers agreed yesterday to prolong the EU's steel rescue plan if the industry could come up with 150 tonnes of capacity cuts. Mr Karol Van Miert, competition commissioner, said. But questions remained about whether an Italian aid proposal to help a group of plants in the Brescia region shut down 800 tonnes of capacity complied with EU subsidy rules. Mr Van Miert said he assured ministers the Commission would monitor the aid strictly. The ministers will discuss the industry's restructuring efforts again in either June or September.

The European Commission worked out a deal with steel companies last month to give them until next autumn to make capacity cuts and quality for a rescue plan involving financial aid to cover some 50,000 job losses. The plan also includes import restrictions on steel from the former Czechoslovakia and loans to finance closures. Mr Van Miert said ministers discussed complaints that Germany's Saarstahl plant was still producing steel, despite declaring bankruptcy. Reuters, Luxembourg.

S Korean premier quits

Mr Lee Hoi-chang, South Korean prime minister, resigned yesterday and was immediately replaced by his deputy, Mr Lee Young-woo. The unexpected resignation revealed a rift in the leadership of South Korea's civilian government, currently under pressure from the row with communist North Korea over Pyongyang's alleged development of nuclear arms. The outgoing Mr Lee, who took office last December, caused a political stir on Thursday when he said he wanted to increase his control over state affairs. News reports said Mr Lee had been at odds with some of his cabinet members over national policies.

He is the second prime minister to resign since Mr Kim Young-sam came to power in February 1988 as the first civilian president in more than three decades of military-dominated politics. Reuters, Seoul.

Australian rebuff for Black

Australian politicians yesterday rushed to rebuff comments made by Mr Conrad Black, the Canadian newspaper publisher, to a Senate committee which is looking into foreign ownership of the Australian print media. Mr Bob Hawke, the former Australian prime minister, told the inquiry that claims by Mr Black that he had offered to report on the activities of his successor, Mr Paul Keating, were a "total grotesque misrepresentation". Mr Hawke said that a senior executive in Mr Black's newspaper empire had asked whether Mr Hawke would be interested in keeping the company informed about happenings in Australian politics. The executive had never pursued the offer, Mr Hawke said. His account contrasted sharply with Mr Black's, who told the inquiry on Thursday that Mr Hawke had offered to act as his "eyes and ears" in Canberra, in return for a fee. Nikkii Todd, Sydney.

French GDP figure revised

The French economy contracted by 1 per cent in 1993, indicating the recession was sharper than expected last year, according to figures released yesterday by Insee, the national statistics institute. Previous estimates had put the contraction of gross domestic product at 0.7 per cent. Officials at the French Economics Ministry, however, said there was no need to adjust forecasts of 1.4 per cent growth this year and claimed that economic activity in the first quarter had been stronger than expected. Exports have remained buoyant and consumer demand has strengthened over the past few months, they said. John Riddling, Paris.

ECONOMIC WATCH

Spain cuts benchmark rate

The Bank of Spain yesterday cut its benchmark interest rate to 7.75 per cent, from 8 per cent, at its regular seven-to-thirteen day repurchase tender. The central bank satisfied 93 per cent of the Ptas4,500bn (€32.7bn) in bids, allocating Ptas4,280bn. The tender coincided with the expiry of Ptas3,020bn in repurchase agreements, and represents a net injection of about Ptas1,260bn in liquidity. Spain's Bankinter followed the central bank announcement by trimming its prime lending rate to 7.75 per cent. Analysts said the recent strength of the peseta against the German mark and the US dollar, together with the absence of fresh inflationary pressures, allowed room for the third reduction in two months. AP, Madrid.

Italy's retail sales index rose 5.8 per cent in the fourth quarter of 1993 from a year earlier, the state statistical institute, Istat, said yesterday. Italian industrial output climbed 0.7 per cent for the first two months of 1994 compared with the same period in 1993.

Denmark's gross domestic product rose 2.4 per cent in the fourth quarter of 1993 against the third quarter of last year, according to figures released yesterday by Danmarks Statistik, the national statistics agency.

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WHITE HOUSE SUCCEUMS TO PRESSURE ON REFUGEE REPATRIATION US seeks tougher Haiti sanctions

By George Graham in Washington

The US administration yesterday shifted its policy towards Haiti, succumbing to a barrage of criticism from Mr Jean-Bertrand Aristide, the country's exiled president, as well as from members of Congress and human rights activists.

The White House said the US would press for tighter trade sanctions against the military regime which ousted Mr Aristide in 1991, including a United Nations embargo on everything except food and humanitarian aid. Although sanctions have been imposed by the UN on fuel and arms, many countries, including the US, continue to trade with Haiti.

At the same time the US Coast Guard took a boatload of 411 Haitian refugees it had picked up from a sinking vessel in the Caribbean to Miami, in an apparent reversal of the US policy of returning them to their country - a practice which President Bill Clinton condemned during the 1992 presidential election but which he continued once he took office.

Cost Guard officers said the order came from Washington, but White House officials said that the decision was a special case, because the sinking Haitian boat was so close to the US shore.

Criticism of Mr Clinton's policy towards Haiti has reached a new intensity this week. Mr Aristide himself denounced the US's approach as "a cynical joke," complaining that Mr Clinton lacked the political will to carry out half of what he promised.

Canada farm exports at risk

By Bernard Simon in Toronto

The Clinton administration yesterday stepped up its war of words with Canada over bilateral farm trade by outlining proposed curbs on Canadian wheat, flour and barley under Article 28 of GATT.

Trade accords 'must have fair labour clause'

By Robert Taylor, Labour Correspondent, in Philadelphia

The introduction of fair labour standards into future international trade agreements should be based on the fundamental principles of the International Labour Organisation.

ments should degenerate into acrimonious allegations of social dumping from one side and disguised protectionism from the other.

China's MFN status under renewed threat

By Nancy Durne in Washington

A consensus has begun to emerge in Congress and in the Clinton Administration that the president will be forced to revoke China's Most Favoured Nation trade status unless Beijing makes further attempts to improve human rights.

rights, but even he said the president would be unable to avoid revoking China's MFN, if it refuses to take modest steps. These include grants of medical parole for political prisoners with serious health problems; clearing up remaining cases of Chinese citizens denied the right of emigration; make progress towards a pact to give the International Red Cross access to Chinese prisons; enforce the bilateral agreement prohibiting exports of goods produced with forced labour; and end jamming of Voice of America.

There is talk too of renewing MFN but at the same time targeting China for Super 301 action, when the president lists the nations with the most egregious trade barriers in October.



Senate majority leader George Mitchell: 'There has not yet been sufficient moves by Beijing on human rights'

for Chinese projects worth \$1.5bn (287m) and another 134 letters of intent worth billions more. Mr Wu said a MFN withdrawal would cost the US 300,000 jobs and the "huge potential loss of the Chinese market."

Caribbean nations seek Nafta links

The Caribbean Community (Caricom) and its two largest members have asked to be listed as eligible for membership of the North American Free Trade Agreement, while they continue seeking arrangements for special access which will protect their US and Canadian markets against competition from Mexico exports, writes Camille James in Kingston.

Galapagos forest fires threaten giant tortoises

By Raymond Collett in Quito

An eleven-day-old forest fire on the Galapagos Islands has destroyed 6,000 hectares of the area's unique eco-system and is now threatening hundreds of the giant Galapagos tortoises.

Adverse climatic conditions on the island of Isabela are impeding efforts by poorly equipped fire fighters, while heavy machinery is having difficulty in the rough volcanic terrain.

until the team of forestry technicians present its report in a few days. Meanwhile, rescue workers are preparing to evacuate hundreds of giant tortoises, each of which can weigh up to 350 pounds. If the tortoises are not evacuated on time, experts say, one of the various breeds inhabiting the islands could become extinct.

Rwanda peace talks offer a ray of hope

George Graham cites the example of Uganda's successful demobilisation programme

In a bloodied and war-torn Rwanda, a down-payment of \$30m (£20m) that offered a chance of some demilitarisation, and at least a hope of heading off the last month's descent into chaos, seems like the most tantalising of missed bargains.

able to step in at the point of discharge with assistance to the demobilised soldiers. While some officials argued within the Bank against singling out veterans to benefit from the payments, the programme's designers were able to argue successfully that the former soldiers and their dependants were, in fact, a vulnerable population group suffering from the effects of economic transition.

Rwanda, however, presents much more intractable problems - beginning with the political will necessary to implement a demobilisation programme.

There may be a second chance today for the World Bank and UN agencies to demobilise soldiers

"Soldiers are, in fact, at the constellation of other problems: around 80 per cent of them have Aids, for example, so their children are about to be orphaned and their wives are about to be widowed," says Mr Colletta.

Even if the will were there, the implementation of an accord would be more difficult in Rwanda, which has the highest density of population in sub-Saharan Africa.

At a cost of \$34m, the Bank provided cash payments of just over \$700 a person to resettle some 23,000 discharged soldiers, along with about 50,000 dependants, from Uganda's National Resistance Army.

While the payments were unusual for the Bank, they fitted into the desire of the international financial institutions to reduce the developing countries' level of military spending, which in Uganda's case amounted to 38 per cent of total government spending.

While Bank byelaws prevent it from getting involved directly with the army, it was

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Coalition chooses new leader

Hata pledges rapid end to trade row

By William Dawkins in Tokyo

Mr Tsutomu Hata, nominated by Japan's ruling coalition yesterday as its candidate for prime minister, pledged to forge ahead with economic deregulation and to resolve the trade dispute with the US.

Mr Hata, who admitted to trembling with apprehension on accepting his selection, said Japan should settle the US trade row before the Group of Seven summit of industrialised countries in July.

His government's first job was to get rapid agreement on the current year's budget. It was to come into effect on April 1 but has been delayed for the past month by a parliamentary row over the personal finances of Mr Morihiro Hosokawa, who resigned as prime minister as a result, and then by the power struggle which followed.

By June, Mr Hata aims to produce a package of market opening measures and issue plans for a permanent reduction in income tax, keenly awaited by the US, to be funded by a rise in indirect taxes.

In a meeting with Mr William Perry, the visiting US defence secretary, Mr Hata, in his current capacity as foreign minister, confirmed that he would work closely with Washington to keep up the pressure on North Korea to open suspected nuclear weapons sites to international inspection.

Mr Hata's nomination was made possible by an early morning policy accord between the main parties in the ruling coalition, in which the Social Democratic party, the alliance's largest member, lifted

objections to a rise in indirect taxation and a firm line on North Korea. The compromise was met with dismay by the SDP's left wing, suggesting that the new government could be stormy, like the last one.

Japanese business organisations greeted the end of the leadership row with relief, but gave Mr Hata a surprisingly lukewarm welcome, reflecting his image as a competent operator seen as unlikely to break new ground.

The nomination was "appropriate", said Mr Gaisai Hiraiwa, chairman of the Keidanren business federation, who hoped Mr Hata would take a strong initiative in completing political and economic reform. Mr Takeshi Nagano, president of the Nikkeiren employers' federation, said Mr Hata was a "natural" choice, as long as the coalition maintains its current framework.

Mr Hata is to be confirmed as Japan's new leader by parliamentary vote on Monday, when he is assured of a comfortable majority over the main rival candidate, Mr Yoshi Kono, president of the opposition Liberal Democratic Party.

Soon afterwards, Mr Hata aims to select the new cabinet, thought to be similar to the present line-up, and make his first policy speech to parliament the following day.

The struggle over the leadership and a joint policy platform has intensified a split between the right and left wings of the coalition and provoked a fresh round of defections from the LDP. However, Mr Hata maintained yesterday that the debates had been "meaningful" and helped clear the ground for tax reform.

THE COALITION'S POLICY ACCORD

● Domestic politics: Next election to be held under new, not existing, electoral system; implying a general election in the autumn at the earliest.
● Foreign affairs: Maintain US-Japan security treaty, reduce trade surplus, take part in UN peacekeeping, observe UN policy on North Korea, prepare for North Korean emergency, in co-operation with other Asian countries if necessary.

● Economy: Decide on tax reform by end of June, with emphasis on cut in direct tax and rise in indirect tax, legislation on this by year-end. Promote deregulation.
● Regional matters: More autonomy for regional governments, more market principles in local farming, but priority on self-sufficiency in basic foods.

Victory for the coalition's pragmatists

There are plenty more tremors to come in the continuing realignment of Japanese politics, writes William Dawkins

The storms of the past fortnight have blown fresh air into the dusty backrooms of Japanese politics.

For the first time in many years, the Japanese electorate has been treated to the sight of political leaders having a highly publicised debate on two of the most fundamental matters for any nation state, tax and foreign affairs.

"It has been truly healthy and refreshing. We do not often see much press coverage given to policy cleavages. It has been educational for the public and for politicians themselves," says Mr Takeshi Inoguchi, professor of politics at Tokyo University.

This contrasts with the days of the Liberal Democratic party, which until it was ousted last summer held power for 36 years, when ideological differences were mostly suppressed to present a stable - but in the end fossilised - public image.

An accord among senior coalition officials on policy matters came in the early hours of yesterday thanks to a last-minute compromise by the Social Democratic party on a proposed rise in indirect taxation.

That brings an end to the power struggle started by the resignation of Mr Morihiro Hosokawa as prime minister

and opens the way for Mr Tsutomu Hata, his deputy, to take over after adoption by parliament on Monday.

The resurgence of policy debate in Japanese politics is all the more striking because it appeared notably absent in the first moves of the post-Hosokawa power struggle.

Initially, the coalition started to split roughly between the SDP-led left, and the right led by Mr Ichiro Ozawa, backroom strategist of the influential Japan Renewal party.

In the first week after Mr Hosokawa's resignation, each camp schemed to attract defectors from the LDP, in the hope of forming the cores of rival coalitions. It was, remarked some analysts, reminiscent of the old-style LDP factional battles in which Mr Ozawa specialised in his years with that party.

At one moment, it looked as if the right would succeed in a Machiavellian ploy to woo Mr Michio Watanabe, a 70-year-old LDP faction leader, to bring his supporters to the Ozawa camp, in return for the leadership. In the event, Mr Watanabe failed to attract anything like enough defectors to guarantee a majority for the Ozawa camp.

Mr Watanabe's fading chances proved to both halves of the coalition that neither of them could win enough seats

in parliament to dominate the other. Pragmatically, they gave up trying to outmanoeuvre each other and instead settled down last weekend to discuss how to work together again, with a JRP-inspired joint policy platform.

Both Mr Ozawa and Mr Hata felt that this kind of advance accord was needed to defuse the rows which paralysed the Hosokawa administration. The SDP, however, faced an unwelcome proposition. It had to accept the JRP-led right wing's foreign and tax policy to stay in power, at the risk of offending its already dwindling electorate. That meant being drawn into the centre-right, so abandoning party tradition.

It is no surprise that it took 27 coalition meetings in the past 15 days to persuade the socialists to accept terms. Mr Ozawa was in a tough mood, hoping to provoke splits among LDP and socialist members all the way along the line, recalls one coalition official.

To make it harder, coalition members were breaking new ground. Very few Japanese governments have ever attempted to hammer out a common policy before taking office, preferring instead to make policy case by case, says Mr Jasper Koll, chief economist at SG Warburg Securities

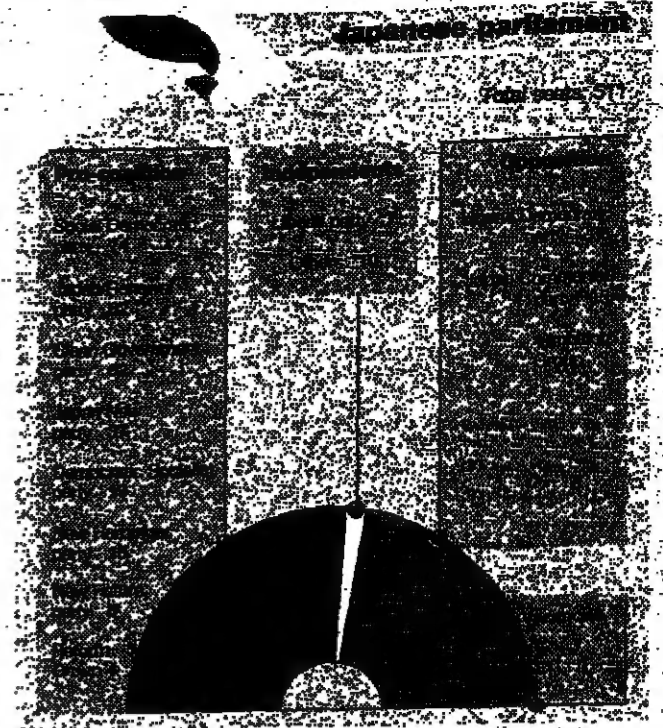
in Tokyo. The nearest recent precedent is the policy pact struck last July by the members of the Hosokawa coalition, before taking office. Yet that was vague by comparison with yesterday's accord.

In theory, this painstakingly constructed policy accord should make Mr Hata's government more stable than Mr Hosokawa's, even though the new cabinet line-up will be similar to the factions old one.

"This is a victory for the pragmatists in the coalition. So Mr Hata may surprise us with a more efficient government, that wants to promote change and still co-operate with the bureaucracy," says Mr Koll.

Yet in practice, this change of government is only a step in the continuing realignment of Japanese politics, caused by the gradual break-up of the traditional parties of government and opposition, the LDP and SDP. The general trend appears to be towards the formation of two or three loose groupings, the coalition's left and right plus the LDP, but not all the players have yet decided which of the new-looking teams they want to join.

The SDP may soon split as a result of its leaders' decision to cave in to Mr Ozawa's forces. The opportunity for the



extreme left, up to a fifth of its members of parliament, to leave could be the cabinet decision on a permanent cut in income tax and a rise in indirect taxation, required in June, in time for the Group of Seven summit in Naples, the following month. "The tax issue is not resolved. It's simply consensus by ambiguity," says Mr Inoguchi.

Watanabe has returned to the fold. Nevertheless, the post-Hosokawa storm has finished out 18 defectors, 12 of whom have formed two small pro-coalition parties. As a result, a record 11 parties are now represented in parliament, most of them too small to hold the balance of power. Japan's unstable political landscape can expect plenty more tremors before it settles into a more permanent shape.

Split looms as SDP jettisons principles

By Michio Nakamoto in Tokyo

For nearly half a century since it was founded in 1945, Japan's socialist party fought in opposition for policies which they considered crucial in building their ideal of a better Japan.

But a brief eight months in power has forced the Social Democratic Party of Japan to write off, one by one, many of the principles for which it has so resolutely stood all those years in opposition.

Yesterday's endorsement by the SDP of the government policy agreement was just the latest humiliating climbdown for the party.

While the vague wording of the agreement leaves the socialists some room for manoeuvre, there is no doubt in the public mind that the SDP has reneged on many key election promises.

"It was a statement of complete surrender," Mr Minoru Morita, a political commenta-

tor, said of the final agreement on taxation and defence that were wrenched from the party early yesterday. "Have they lost all pride?" he asked.

Having fought vigorously against the country's 3 per cent consumption tax when it was introduced five years ago, the SDP has now agreed that indirect taxes would eventually be raised.

The party's policy of strictly adhering to Japan's pacifist constitution has been undermined by the agreement that, in the face of North Korea's nuclear threat, Japan would "prepare contingency plans under close co-operation with the United States, South Korea and if necessary, other Asian countries."

The latest turnaround follows the SDP's capitulation last year on the opening of Japan's rice market, a move the party had vigorously opposed.

The party's record of giving in to the right wing of the coalition gives credence to the

view that the SDP today is "like the mouse that clings to the bottom of the dog. No matter what happens it will not let go," as one SDP diet member lamented.

The latest sacrifice of principle to pragmatism will have divisive repercussions in the SDP which itself is a motley grouping of politicians ranging from extreme left-wing to moderate liberal.

Already Mr Minoru Ebuchi, head of the Economic Planning Agency and an SDP member, has criticised yesterday's agreement and expressed concern that it might "have a bad effect on the economy." She said that her party may have "jumped the gun" by agreeing to the tax changes.

If such differences continue to surface within the party it could lead to a split, with many socialists being drawn closer to the rest of the coalition and the more hardline leftist members returning to opposition.



Tsutomu Hata smiles after being nominated yesterday. The thought of becoming prime minister left him trembling with apprehension, he said.

Indonesian workers turn on Chinese businessmen

Victor Mallet reports from Medan, where anger over low wages has led to ethnic riots

Indonesian soldiers with semi-automatic weapons stood guard over factories outside the north Sumatran town of Medan yesterday following a week of wage strikes and demonstrations which degenerated into rioting against the ethnic Chinese minority.

The government has restored order to Indonesia's fourth largest industrial centre by sending in troops, and by yesterday many factories and shops were operating normally.

But evidence of the violence that has disrupted industry and worried both Indonesian and foreign investors is visible on the busy road between Medan and the port of Belawan. The windows of dozens of Chinese-owned shops and factories have been smashed and boarded up. Government build-

ings were left unscathed. In the most serious incident, an ethnic Chinese factory-owner was killed by the rioters last week.

The ethnic Chinese account for only about 3 per cent of Indonesia's 188m people - although they are particularly numerous in Medan - but they dominate industry and commerce and are often envied by their local employees.

Among the many damaged buildings are a food factory, a bank and a small photographic shop. "We are still worried but we hope it's all over," said one ethnic Chinese woman at the counter of a motor-cycle repair shop. In the violence about 150 shops and factories were reported damaged and several cars were set on fire. Lawyers say at least 47 people are being detained.

The dispute began when workers in Medan demonstrated in support of their demands for steep pay rises. The legal minimum wage in the city is 3,100 rupiah (\$1.45) a day but employers often pay below the minimum. Some of the workers say they want Rp7,000.

A 25-year-old woman working as a cleaner in one of Medan's gleaming, Chinese-owned shopping malls - which sell everything from jewellery to golf clubs - said she was paid Rp4,400 per day, with no benefits and no paid holiday, and would be content with the legal minimum; she asked to remain anonymous.

Indonesia's influential armed forces have accused the independent Indonesian Welfare Labour Union of fomenting violence and vandalism, linked it

to the banned communist movement and threatened to arrest its leaders; the rival, government-backed All Indonesia Workers Union denounced the strikes.

The gap between rich and poor in Indonesia's fast-growing economy is one of the most sensitive topics in the country's politics. Whereas many Medan labourers live in shacks near the factories, the wealthy Chinese have become more ostentatious in recent years, building large, neo-classical houses and buying expensive cars.

Only days ago, a senior official of Indonesia's ruling Golkar party criticised Mr Liem Sioe Liong, the ethnic Chinese tycoon who is close to President Suharto, for spending \$550,000 on a lavish party in Singapore to celebrate his 50th

wedding anniversary. The money would have been better spent on the poor, he said.

The hard-working ethnic Chinese face a dilemma in Indonesia: if they invest abroad - in China for example - they are accused of disloyalty to their adopted home; but if they invest too much in Indonesia, they are accused of seeking too large a share of domestic business at the expense of the locals.

As in other south-east Asian countries such as Malaysia, Thailand and the Philippines, the ethnic Chinese businessmen of Indonesia have been vital contributors to economic growth.

The Indonesian economy is growing at more than 6 per cent a year. Workers in Medan know there are plenty of unemployed and underemployed



Indonesians who could take their jobs, but they have seen the new houses and shops springing up in their town in the last few years and they want their share of Indonesia's newfound wealth.

"The people above us have got richer," said the shopping mall cleaner, clutching a cheap plastic handbag. "But what about the progress for labourers?"

Palestine rivals agree to halt internecine war

By David Horowitz in Jerusalem

The two main Palestinian militant factions in the Gaza Strip yesterday agreed to end violent attacks on each other and to set up a committee to resolve differences.

The unexpected co-operation deal between the Fatah Hawks, loyal to PLO chairman Yasser Arafat, and the military wing of the Hamas Islamic extremist movement, which has repeatedly condemned Israeli-PLO peace efforts, improves Mr Arafat's chances of imposing his authority in the Gaza Strip when the Israeli army pulls out possibly next month.

It completed and adhered to the agreement, and a similar one that may be taking shape in the West Bank could simplify the task of the 9,000 Palestinian policemen who are supposed to take over responsibility for internal security in the Gaza and Jericho areas when the Israelis leave.

The deal was negotiated in secret over the past few weeks, with a key role being played by some of Mr Arafat's aides who were recently allowed by the Israelis to return to Gaza after several years in exile.

It provides for an end to internecine violence, a commitment to co-operation, and a one-month amnesty for Palestinians who collaborate with the Israeli authorities to renounce such co-operation without fear of revenge. Palestinian militants have killed hundreds of alleged collaborators in more than six years of the Intifada uprising.

PLO officials in Gaza said yesterday that the agreement had been reached with the approval of top officials on both sides, presumably including Mr Arafat.

Earlier this week, the Israeli Prime Minister Yitzhak Rabin, acting on early reports of the agreement, had issued a warning to Mr Arafat not to enter a deal whereby the PLO would turn a blind eye to continued Hamas attacks on Israeli targets.

In the past three weeks, Hamas militants have killed 15 Israelis. One victim of the last of these, Shaleh Simani, a soldier, was buried yesterday. In response, the Israeli army has rounded up more than 300 suspected Hamas activists and supporters in the occupied territories, in an effort to destroy the Hamas infrastructure.

South Africa 'holding 100' in pre-election crackdown

By Michael Holman, Africa Editor, in Johannesburg

More than 100 people are being held under a pre-election security crackdown, some without access to lawyers or family, South African human rights officials said yesterday.

Senior police and army officers, speaking at a press con-

ference held under the auspices of the country's Independent Electoral Commission, yesterday outlined measures designed to ensure security during next week's election, but declined to elaborate on pre-emptive arrests that have already taken place.

"I don't think it is necessary that people should know (how

many) at this stage," said one security force officer. "But to put your mind at ease, it is more than 100."

Monitors and foreign observers say that more than 100 people have been detained under South African security acts. Mr Patrick Kelly, national director of the country's Human Rights Commission, an independent

South African organisation, said: "We are concerned about this increasing denial of human rights."

Judge Johan Kriegler, chairman of the Independent Electoral Commission, who took part in yesterday's press briefing, said he could provide no information about the arrests. The IEC is overseeing the

electoral process and is responsible for determining whether next week's poll is "free and fair".

Professor Jacob Ruiters, spokesman for the European Union monitors, said: "I have no comment. We are here only as observers."

According to human rights monitors, at least 100 people

are being held under the Public Safety Act imposed on Natal and in several magisterial districts around Johannesburg.

An additional unknown number of detainees are also being held under the notorious Section 29 of the Internal Security Act.

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Lending by banks is ahead of expectations

by Graham Bowley

Strong private-sector lending figures published yesterday provide evidence that companies are beginning to take on more debt.

Bank of England data showed that lending by banks and building societies to the private sector - M4 lending - was a seasonally adjusted £3.3bn last month. This was well ahead of expectations of £1.6bn and compares with a revised figure of £1.2bn in February.

This took the year-on-year growth rate of M4 lending, which is a good indicator of consumer and company confidence, to 3.5 per cent from 3.0 per cent in the year to February.

The broad money supply measure, M4, rose a seasonally adjusted 0.6 per cent last month compared with the previous month, slightly below the growth rate in February but in line with expectations. It was up 5.9 per cent in the year to March, unchanged from February's rate.

Separate figures yesterday from

the British Bankers' Association showed a large increase in lending by the UK's main banks in March.

Lending by the nine banking groups - which covers only a proportion of the overall M4 bank and building society sector - rose a seasonally adjusted £3.05bn, the largest rise for four years, and compares with a rise of £2.93bn in February.

After substantial repayment of corporate debt in recent months, there were signs of renewed borrowing by manufacturers. Banks lent

£386m to manufacturing industry in March after repayments of £380m in the previous two months.

The construction sector, however, continued to repay debt and the demand for consumer credit remained very weak.

The BBA's figures also showed that £1.86bn of the increase was due to lending to the financial sector, in particular to building societies and securities dealers.

"Although lending in March was strong, it followed two months of

very modest rises," said Lord Inchausti, director-general of the BBA. "Consequently, when we look at the figures over the quarter as a whole, there is little difference from the fourth quarter of last year."

Mr Don Smith, UK economist at Midland Global Markets, said: "A strong lending number this month obviously adds weight to the evidence arguing against interest rate cuts."

"But the extent to which this month's lending figure was due to

finance companies suggests that M4 lending will not remain at this relatively high level."

The BBA said that banks' mortgage lending seems to be slowing down, but that this possibly reflects some loss of market share rather than declining activity in the housing market.

Analysts said that the weak personal borrowing figures, along with other recent evidence of falling consumer confidence, contradicted buoyant official retail sales data.

Societies hit by £653m saving outflow

By Alison Smith

The withdrawal of savings from building societies last month once again led to a near-record net outflow in retail funds - with £653m taken from societies.

At the same time, demand for mortgages rose sharply, providing further evidence of recovery in the housing market, but highlighting the need for societies to attract retail savings to fund lending.

Figures released by the Building Societies Association yesterday showed net new commitments in March totalling £3.7bn, against £2.9bn the previous month. Net advances were £560m against £62m in February.

The fifth consecutive net monthly outflow was the highest since September 1986 when investors withdrew money for the TSB flotation.

Mr Adrian Coles, director-general of the Building Societies Association, attributed the net outflows to a succession of one-off factors such as the rush to pay fuel bills before the imposition of value added tax at the start of this month.

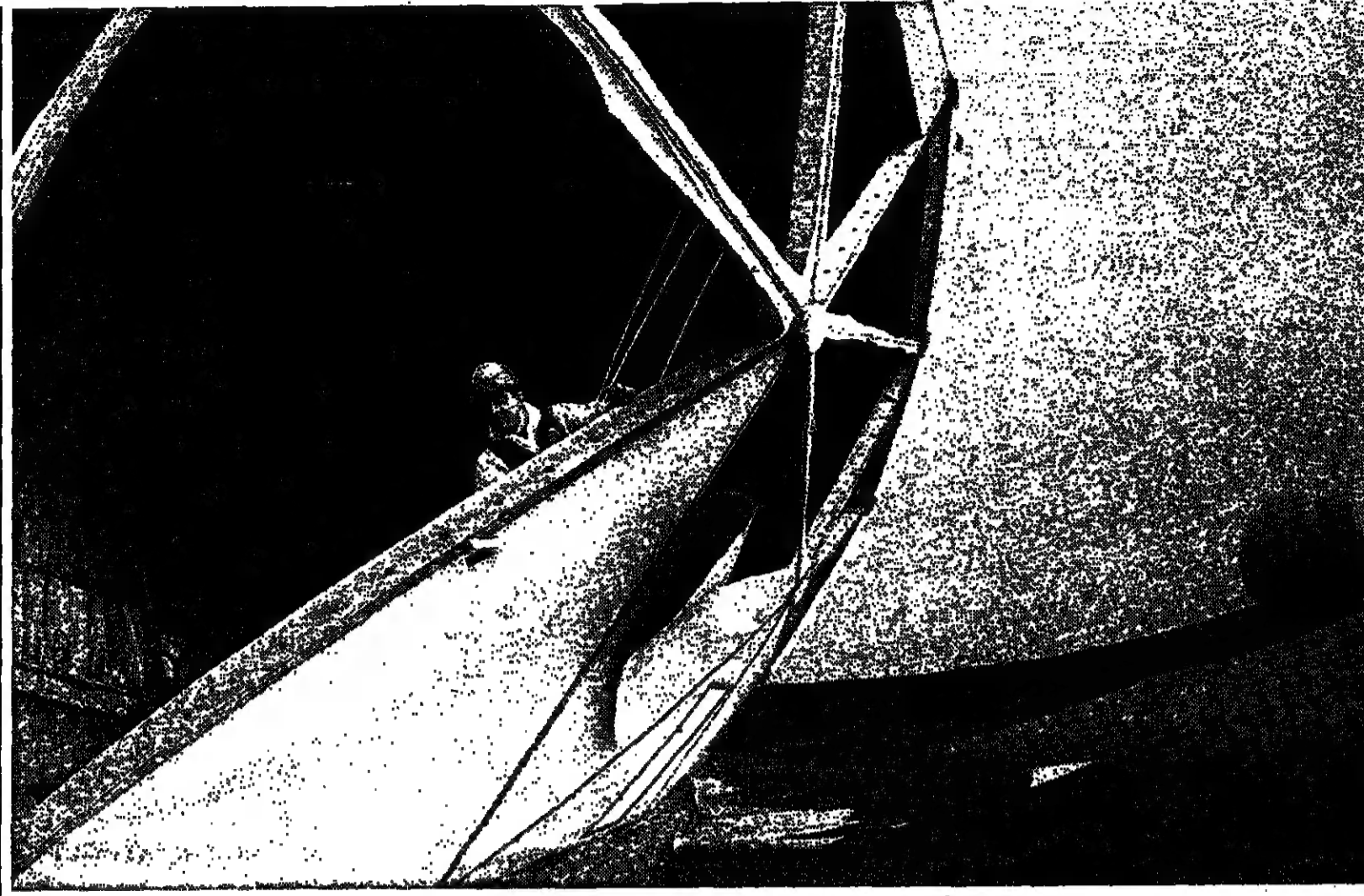
More ominously for societies, there were signs of the continuing popularity of other forms of savings which yield higher returns. Sales of unit trusts are reported to have hit a record of more than £1bn.

Mr Coles said a similar outflow was unlikely in April, and emphasised that interest automatically credited to accounts continued to increase balances held by societies.

"Although societies remain mindful of the very competitive nature of the savings market, there is no prospect of temporary pressures on retail funding necessitating higher mortgage rates," he said.

Mr John Wrigglesworth, societies analyst at stockbrokers UBS, argued that such a move could not be discounted. He expected a net inflow of funds in April, but if this failed to occur "societies will have run out of one-off excuses".

Societies' increased lending was achieved partly at the expense of banks, according to figures published by the British Bankers' Association. Banks' mortgage lending rose by £396m in March compared with £69m in February.



Out of bounds: demolition worker Paul Maguire yesterday dismantling the first of the three Fylingdale "golf balls" on the North Yorks moors. The domes provided weather cover for radar dishes which were part of the US early warning system against attacks from the USSR. The dishes have been superseded by new technology.

Bedford mourns its electronic loss

Alan Cane and Stewart Dalby discuss the factors behind Texas Instruments' pull out

Texas Instruments broke out the champagne in Bedford only last month as they unveiled a superchip which they believed would give them a lead in the race to supply components for the nascent multi-media revolution.

Today there is only disappointment and sadness after Thursday's announcement that the US company - which has been in Bedford for 33 years and is its largest manufacturing employer - is pulling out with the eventual loss of 800 jobs.

All that will remain in Bedford will be a low-technology power transistor plant, employing some 200 people, which Texas hopes to sell wholly or in part.

"The decision is devastating. Mention Bedford and Texas Instruments was the company that came to mind," said Mr Philip Hendry, Conservative leader of Bedfordshire county council, speaking for all shades of political opinion.

Despite the undoubted quality of much of the work at Bedford, the facility's fate was sealed by:

- The age and inflexibility of the Manton Lane factory.
- The uncoordinated way the facility has developed - every kind of business in which Texas is involved is represented, each with its own management infrastructure. It has never been selected as a centre of excellence for a main product line.

● Investment decisions in the late 1980s when Italy triumphed over other European countries as the site for the US company's principal European semiconductor plant.

Texas Instruments is one of the world's oldest electronics companies specialising in semiconductors, calculators, small computers and software.

But profitability in recent years has been depressed by the company's delay in moving to more advanced methods of semiconductor production and by an uneconomic European structure, with business units duplicated in each country.

Bedford is the principal victim of the company's moves to rationalise its European organisation. Mr Norman Neureiter,

a senior Texas executive seconded to Bedford to assist what the company describes as a "phased withdrawal over two years" said yesterday it was clear as early as 1980 that European operations would have to be restructured.

The company has followed a shared investment strategy, seeking government grants and forming joint ventures where possible to help defray the huge costs of keeping up to date with technology.

In the late 1980s, the company decided to concentrate production of semiconductor memory, one of Texas's principal product lines, at Avezzano in Italy. A new factory has been built there at an eventual cost of £1.5bn, of which the

Italian government is contributing some \$700m through regional aid.

Simple chips are manufactured in volume at Freising, Germany, while chips for special applications in telecommunications, automobile and computer markets are manufactured in Nice, France.

Texas's UK software business is located at Ashbury, near London's Heathrow airport where it employs some 300 software specialists.

Texas published its best quarterly results as it announced the withdrawal from Bedford - evidence, Mr Neureiter said that the company's shared investment strategy and assault on costs was working.

Warning over land price rises

By Andrew Taylor, Construction Correspondent

Sharply rising land prices caused by shortages of land where people most want to live are inhibiting the housing market recovery and stoking inflationary pressures in the economy, says a survey of more than 450 housebuilders.

The survey, published yesterday by the Housebuilders Federation, found that more than a third of those questioned last month reported that land prices had increased by more than 10 per cent since the beginning of this year.

Another 23 per cent reported increases of between 6 per cent and 10 per cent. In all, three-quarters of builders said that land prices had increased during the three months.

Mr John Stewart, editor of the federation's housing market report, said: "The impact of land price increases, coupled with constraints on the supply of land for housing, pose a threat to recovery and may well be the early signs of another inflationary cycle in the housing market."

The federation has blamed restrictive planning policies by central and local government for creating a shortage of good sites, forcing up the price of

land as the housing market recovers.

Mr David Wilson, chairman of Wilson Bowden, said that land prices nationally had risen by about a fifth and by up to half in parts of south-east England. The federation's survey said more than 90 per cent of builders in south-east England and 95 per cent in London had reported price rises since the start of this year.

More than 80 per cent of builders nationally expect house prices to rise over the next 12 months. More than half expect annual increases of under 5 per cent, more than a quarter forecast rises of between 5 per cent and 10 per cent. Just under three-quarters expect the number of homes sold to increase this year.

Mr Stewart said: "Recovery in the housing market has been sustained over the first three months of this year. At this stage it appears April's tax increases have had little effect on the market."

Builders could face serious difficulties if land price rises continue to outstrip growth in house prices. Halifax Building Society says the average price of homes rose by 2.6 per cent to £23,122 during the 12 months to the end of March.

NatWest 'defrauded in sugar ship deal'

An Italian businessman defrauded the Leeds branch of National Westminster Bank out of more than £1m in a complex international swindle spanning three continents, Leeds Crown Court heard yesterday.

Mr Carlo Caresana, from Genoa, used a fake shipload of sugar to dupe the bank into paying him \$1.77m, Mr Robert Smith QC, prosecuting, said. The fraud was made possible by his intimate knowledge of shipping and international trade and by taking advantage of banking procedures.

Mr Caresana denies charges of theft, obtaining property by deception, procuring the execution of a valuable security by deception and four counts of using a false instrument with intent. The alleged fraud took place in 1990 between March and June and involved companies in Brazil and Saudi Arabia and banks in London, Leeds, Frankfurt and Prague.

Mr Caresana offered to supply sugar to a Saudi company. Having agreed terms he found the name of a genuine ship taking sugar from Brazil to the Middle East and pretended the consignment was coming with that ship, Mr Smith said.

He forged a complete set of shipping documents to support a letter of credit to persuade NatWest to issue a bill of exchange, Mr Smith said.

The case, expected to last three months, continues.

Board reshuffle at stock exchange

By Norma Cohen, Investments Correspondent

Six members of the board of the London Stock Exchange are to retire when their terms expire on July 14. They include Sir Michael Richardson, chairman of Smith New Court and one of the board's longest-serving members.

Smith New Court, one of the City of London's largest

marketmakers, will continue to have a senior official on the board of the exchange. Mr Michael Marks, Smith New Court chief executive, will be nominated for a seat.

Mr Peter Wilmet-Sitwell, chairman of S.G. Warburg, is also retiring from the exchange board. He will be replaced by Mr Nicholas Vasey, deputy chairman of S.G. Warburg Securities.

Board members serve three-year terms and retire by rotation.

Also appointed to the board of the exchange are Mr David Jones, chief executive of Sharelink Investment Services, a company he founded in 1987.

Mr Masashi Kaneko, chairman of the European division at Nikko Europe, and Mr Robert Metzler, managing director and head of worldwide equity at

US-based Morgan Stanley, are also to join the exchange's board. The sixth new board member is expected to be a chairman of a company listed on the exchange.

Also retiring will be Sir Andrew Hugh Smith, current chairman, Mr Robert Kane, chairman of Nomura International, and Sir Anthony Tennant, chairman of Christies International.

Irish firepower keeps IRA on the run

Michael Cassell on the high cost of the republic's anti-terrorist drive and its life-saving successes



Lt Col Michael Lucey: believes the IRA is no match for Hezbollah

Lt Col Michael Lucey, commanding officer of the Irish army's 28th Infantry Battalion, casts a professional eye across a remote County Monaghan hillside. The gorse bushes might conceal a rabbit warren or an AK47 rifle.

Beyond a line of police officers beating the undergrowth in search of concealed weaponry lies the River Blackwater and the border with Northern Ireland: an ill-defined, 283-mile-long line on the map, the only land boundary the UK shares with a foreign state.

Monaghan thrusts far north, close to the same latitude as Belfast, leaving three of Northern Ireland's six counties to close in around it. Its geography puts it in the front line of UK-IRA efforts to stop the IRA waging war in the north from safe refuges in the south.

Lt Col Lucey's career has taken him to the Lebanon, Cyprus and Egypt, far from the muddy fields which stretch away to Feganny Bridge and Killyfaragh. Shouting to be heard above the noise of an Alouette helicopter hovering overhead, he reckons the IRA

is no match for Hezbollah, the pro-Iranian Lebanese faction.

UK security forces on the other side of the woods see things differently, given the deaths and injuries inflicted upon Royal Ulster Constabulary and army personnel by the world's most technically advanced terrorists.

Even so, security forces on both sides of the border say their relationship is better than ever and that their combined onslaught means the IRA is under intense pressure. This week's joint operation in the UK and the Irish Republic, intended to strike at the heart of IRA finances, represented a striking public example of the partnership in action.

Yet it is not free of new disagreements or old suspicions. Privately, Garda (Irish police) criticise the British for manning easily targeted, permanent border checkpoints which they say are provocative and disruptive, while the British

still hint that the Irish are more enthusiastic about uncovering weapons than apprehending their fellow countrymen.

But while some UK politicians demand more direct communication links - the UK army has to go through the Garda to talk to Irish army officers - forces on the ground claim they have few complaints about operational arrangements.

The Irish anti-terrorism effort, whatever the perception in some quarters, is extensive, expensive - Irish taxpayers pay more per capita than those in Britain - and appears increasingly successful.

Nobody would claim that 200 open border crossings and millions of acres of countryside which seamlessly stitch together two nation states could ever be rid of terrorist traffic. But Garda assistant commissioner Ned O'Dea, who is responsible for the national surveillance unit which targets

terrorists, says there are no budget constraints: "What we need, we get."

What he gets includes 1,000 police officers stationed along the border, 1,400 troops acting as back-up to the civil power and a Garda emergency response unit armed with Uzi machine guns, Heckler and Koch rifles and pump-action shotguns. Special Branch officers and undercover agents complete the set-up.

Constant patrols, spot checks and searches last year alone the republic yielded more than 500 firearms, nearly 27,000 rounds of ammunition and almost 4,000lbs of explosives. Together, says Mr O'Dea, "they add up to a lot of lives saved".

There is no room for complacency, however, with the Garda yet to locate hundreds of rifles and machine guns along with rocket launchers, missiles, revolvers, ammunition, detonators and explosives all known to have been

Agents convicted on house adverts

The Property Misdescriptions Act, which aims to stop estate agents from making misleading claims about properties, has resulted in two successful prosecutions and 13 proposed prosecutions in its first year, the Office of Fair Trading said yesterday, Vanessa Houlder writes.

The successful prosecutions were against a Norfolk estate agent, who showed an incorrect price for a property in his window, and a West Yorkshire agent who falsely said a property included a garage.

One proposed prosecution involves an agent who described a property as "quiet" when it is alleged to be next to a pub, near a main dual-carriageway and half a mile from a supermarket.

Outside voice on Whitehall jobs

The government has for the first time appointed an outsider to the board that advises on top appointments in Whitehall. Sir Michael Angus, chairman of Whitehall and president of the Confederation of British Industry, is to join the civil service senior appointments selection committee.

He will join five of the most senior permanent secretaries in advising Sir Robin Butler, head of the civil service, on promotion to the two top civil service grades.

Work accident reporting changed

The Health and Safety Commission is proposing to improve its workplace accident reporting system to cover incidents that have been missed when compiling statistics.

The addition of 15 types of accident mainly involves North Sea and railway incidents. The commission hopes the proposals will help clear up problems with under-reporting.

While all 308 fatal accidents at work in the UK were reported last year, the commission believes there has been significant under-reporting of injuries that cause absence of more than three days.

Judgment reserved in Bank notes case

Judgment was reserved yesterday in the Bank of England's High Court action to recover up to £500,000 allegedly stolen from its note destruction depot.

The Bank is bringing the action against three former employees and their spouses. Mrs Christine Gibson is alleged to have smuggled thousands of notes out of the depot in her clothing.

All insist that the money, allegedly taken between 1988 and 1992, came from legitimate sources. Judgment will be given on Tuesday.

Lib Dems attack procedure 'abuse'

The Liberal Democrats yesterday accused the government of abusing Commons procedures to kill a widely supported private member's bill on energy conservation.

Mr Alan Beith, who tabled the bill, said it had been "personally talked out" by ministers who kept a debate going until parliamentary time expired.

السؤال الأول

Portillo lays out election strategy

By Kevin Brown,
Political Correspondent

Mr Michael Portillo, chief secretary to the Treasury, yesterday warned the Conservatives to head Britain's "quiet majority" before the local and European elections.

Speaking to Conservatives in Fife, Mr Portillo urged the party to ignore "the clamour of vociferous minorities", and listen to "the still, small voice" of its natural supporters.

In a speech flagged as a personal political manifesto, Mr Portillo dwelt heavily on right-wing icons such as personal responsibility, self-improvement and law and order.

Mr Portillo's tone was less sharp than his hard-hitting attack three months ago on the "new British disease" of undermining institutions such as the monarchy and parliament.

Yet the speech was seen at Westminster as the next step in his campaign to secure the right-wing nomination in any Conservative leadership election.

Few of Mr Portillo's supporters think he could win the leadership at an early attempt by overhauling front-runners Mr Kenneth Clarke, chancellor, and Mr Michael Heseltine,

trade and industry secretary. But solid right-wing support could put Mr Portillo on track for the leadership in the next parliament, after a spell in a more senior cabinet role.

Mr Portillo said the quiet majority looked to the Conservatives for secure defences, law and order, sound public finances, low inflation and economic policies that encouraged investment and job creation.

He said Britain had much of which to be proud, including its export to the rest of the world of a free-market economic agenda of de-regulation, competition, privatisation, tariff reduction, and free trade.

He said the quiet majority was "dismayed" by aspects of modern Britain such as hand-outs to people capable of work and young offenders being sent on sailing cruises.

"In a world turned upside down, they ask where is the encouragement for self-reliance, where is the punishment for wrong-doing, where is the incentive to achieve?" he said.

"They look to the Conservative party to articulate their point of view, and through its policies and legislation to validate their way of life and underpin their belief."

Leyland Daf returns to profit as LDV

By John Griffiths

The 1,070 workers at Birmingham-based Leyland Daf Vans were given a day off yesterday to celebrate the company's spectacular re-emergence from receivership as a profitable company expecting to make more than 10,000 vans this year.

The company, created out of the crash of the Anglo-Dutch Daf trucks giant last year, reported making a pre-tax profit of £8.6m on a turnover of £79.5m in a truncated financial year between last April and December 31.

Jubilant managers yesterday relaunched the company with the new name and logo of LDV, to help distance it from its troubled past.

Mr Allan Amey, its chief executive, little dreamed last spring, while tramping the corridors of sceptical potential investors for his management buy-out plan, that within a year he would be running Britain's biggest UK-owned vehicle manufacturer.

Yet thanks to BMW of Germany's takeover of Rover Group last month, that is what LDV, housed at Washwood Heath near Birmingham, has become.

Profits are expected to grow substantially this year. Turnover is expected to reach about £150m.

"The performance says two things," said Mr Allan Amey, chief executive. "Inherently the vans business is profitable, and it was profitable both as part of Rover (formerly British Leyland) and, later, as part of Daf."

Managers of LDV, several of whom, including Mr Amey, had been with the company for years before the Daf debacle, had long been annoyed that the van business's underlying profitability had been swamped, in the public eye at least, by the rising tide of the Daf group's indebtedness.

Not surprisingly, therefore, the management buy-out team has derived considerable satisfaction from reporting the performance to their main equity investor, the £1 venture capital group, and finance providers Royal Bank of Scotland and United Dominions Trust, which between them made possible the £40m buy-out.



The assembly line at Leyland Daf Vans' plant near Birmingham is producing 250 vans a week, up from 200 in the immediate aftermath of last year's receivership.

The first-year performance, said Mr Amey, exceeded the target of the company's three-year business plan.

Prof Garel Rhys, professor of motor industry economics at Cardiff Business School, said LDV's brief track record was "one of the most dramatic and successful recoveries in Britain's post-war history".

In March 1993, during the receivership, LDV's share of the UK panel van market slipped to 6 per cent. Its workforce was cut by more than a half, to just over 900.

In the first quarter of this year its market share has almost doubled, to 11.3 per cent.

The plant is producing at a rate of 250 a week, up from 200 in the immediate aftermath of the receivership, and Mr Amey says it should be up to 300 a week by the middle of this year. Break-even, said Mr Amey, is 9,000 and falling.

That is still far behind market leader Ford, but LDV has no intention of seeking head-on confrontation.

LDV's strategy is focused heavily on "tailor-made" vans, using its Special Vehicle Operations to build vehicles

employees, taking the workforce to 1,070, prompted mainly by strong growth in output of the Land Rover Discovery for which LDV presses panels. Pressings accounted for £10m of the turnover. Productivity increases will restrict work-

business plan we didn't know what would happen to our European customers," said Mr Amey. "But once we got back up and running last year a lot of Continental dealers who had been selling both trucks and vans found they were missing the vans. So we're starting to sell again - so far in Spain, France, Belgium and Holland."

Mr Amey said there was no "grand strategy" for mainland Europe but predicted "a clear potential to do 4,000 or 5,000 vans a year there. It could provide 30 to 35 per cent of our volume".

Priorities include strengthening the business for the medium term, requiring a £30m new-products programme, the first results of which will be seen in 1995.

Some £8m has already been committed, Mr Amey said this could be funded from LDV's earnings. But still missing is precisely what will happen in the long-term, when LDV must

face total renewal, rather than updating, of its product range.

Mr Amey does not rule out the possibility that when a new generation of product does appear - current modernisation is expected to take LDV to the turn of the century - it will be the result of a partnership.

"We're going to look at a number of options, and probably spend the next 18 to 24 months evaluating them," he said.

Actual sales in the eight-month year totalled 7,000 - enough to generate substantial business for LDV's 110 dealers. About half of these are truck dealerships with the remainder Rover Group car dealers.

Mr Amey sees no particular need for more dealers. However, he acknowledged some "messaging" of standards was required "so that a constant level of performance is achieved across the network".



specifically adapted for operators in a way not possible on volume assembly lines. The Post Office, electricity companies and the Automobile Association come high on the list. Some 75 per cent of all output now goes through Special Vehicle Operations. LDV has added about 100

force growth. Mr Amey's main concern has been to secure LDV back into the UK market place. But contained within last year's turnover figure is £2.5m in export sales - a small sum, but marking the stirrings of a revival in Continental sales.

"When we developed the

Hurd in plea for Euro-poll unity

By Kevin Brown

Mr Douglas Hurd, the foreign secretary, yesterday appealed to Conservative MPs to put aside deep divisions about Europe before the elections for the European parliament.

Mr Hurd, who chairs a committee drawing up the Conservative manifesto for the June 9 elections, said the party must show "conviction and unity" to the voters.

He said the manifesto, which the party is expected to publish next month, would offer a "positive and distinctive" approach based on the strength of the member states.

Mr Hurd told West Oxfordshire Conservatives that there was "a strong and healthy instinct" among Tory MPs "not to scratch at the old wounds but to look to the future".

He said: "Building on the economic recovery which becomes clearer every day, we must show that conviction and that unity to the voters."

Mr David Hunt, the pro-European employment secretary, was among several cabinet ministers yesterday who warned that a Labour victory in the elections would lead to more European Union intervention in the UK.

Mr John Major, the prime minister, told party workers in London that he was "confident" about the future. "If the polls were to be believed, I would have lost the last general election," he said.

Ex-Swan workers awarded payouts

By Richard Donkin,
Labour Staff

Unions representing 300 Swan Hunter shipyard workers, who lost their jobs last July when the company went into receivership, have won compensation from a Newcastle-upon-Tyne industrial tribunal of between £250,000 and £750,000 depending on further litigation.

The full order, which is nearer £1m, is not realistic because the company is in receivership.

Mr Stefan Cross, of Brian Thompson and Partners, the solicitors representing the GMB general union at the tribunal, said that other cases against the Department of Employment were to be heard. They will challenge the way the department made payments from a redundancy scheme.

Five unions launched claims on behalf of some 1,400 workers who lost their jobs at the company. More than 1,000 unfair dismissal cases remain outstanding and a further 400 claims against the employment department are being pursued.

The Swan Hunter cases are typical of recent big receiverships, such as those at Leyland Daf and Ferranti, where employees have been dismissed at short notice in contravention of legal requirements that workers be given 90 days notice of redundancy.

DTI warned on digital TV use

By Raymond Snoddy

Time Warner, the US media group, yesterday warned the British government that no other country in the world was considering the early introduction of digital television on terrestrial transmitters.

The warning came from Mr Tom McGrath, president of Time Warner International Broadcasting, after a meeting on the issue at the Department of Trade and Industry.

The DTI is finalising its decision on digital television and whether the launch of a conventional analogue Channel 5 would limit the introduction of digital services.

Time Warner is a member of a consortium interested in the Channel 5 franchise. The other members are Pearson, owner of the Financial Times, and M&L, the broadcasting and financial services group which controls Meridian Broadcasting, the

south of England ITV company.

At least one other group, led by NBC, the US network company, wants to have the chance to bid for a Channel 5 licence.

The Independent Television Commission has made clear it would like to decide next month to go ahead and advertise a fifth national channel, but needs to be sure that the DTI will make the necessary frequencies available.

Time Warner believes digital services in the foreseeable future will develop on cable and satellite rather than on land-based transmitters because of the difficulty of having to rebroadcast existing channels on digital.

The company cites the example of Germany where new local analogue television licences are now being awarded.

High-flyer alights on ScotRail

Mr Chris Green, one of British Rail's high-flyers, sometimes looks like a caged lion.

Until the end of last month he was managing director of BR's flagship InterCity, a profitable, vertically integrated business with a turnover of nearly £900m a year.

Now he is director of ScotRail, which operates passenger trains in Scotland. Its expenditure this year is likely to be only about £320m - he has direct control of only a third of it.

Mr Green chose to go to ScotRail, which he had managed successfully in the early 1980s, when it became clear last year that his job at InterCity would disappear with the dismantling of British Rail.

He makes no secret of his sadness at the break-up of InterCity or of his doubts about the wisdom, which will railway structure, which will be based on contracts between more than 50 companies. He still wants to be involved in running trains.

ScotRail is one of the largest of the new train-operating companies, and the government has designated it to be one of the first to be franchised. Mr Green hopes late next year to win the franchise for a management-employee buy-out team.

Chris Green tells James Buxton about the challenges and pitfalls of running Scotland's trains

However, he has far fewer levers under his control than he did when he ran ScotRail in the 1980s. The company operates and maintains the trains, but track and signalling are in the hands of Railtrack. British Rail Infrastructure Services (BRIS) maintains the infrastructure, while trains are leased from a state-owned company.

So far the contracts are only phrased in generic terms. They will be closely defined in the coming months as the shadow franchise takes shape.

The most crucial contract is with Railtrack, to which ScotRail is being asked to pay annual track-access charges of £175m. "So far there is less transparency than under the old system because we don't know what we're paying for," says Mr Green. "But we are gradually defining our relationship with Railtrack and getting this year's bill down."

He fears that Railtrack will not vary its track-access charges to reflect fluctuations in business caused by the state of the economy. "We need to be able to share a sudden drop

in our income with Railtrack through variable track-access charges. But we are afraid that Railtrack will ignore us and press on with infrastructure projects that would be delayed under a unitary system," he says.

After payments to Railtrack, and for leasing trains and renting the big stations, only about £100m of ScotRail's costs are left directly open to Mr Green's management.

That is about the same as the income ScotRail gets from fares - the rest being subsidies from the director of rail franchising and payments from Strathclyde region's passenger transport executive for running trains in the greater Glasgow area. Strathclyde is disputing the payments with Railtrack because Railtrack's charges are not itemised.

Most of the £100m under Mr Green's control are staff and materials costs. He sees only limited scope for making efficiency savings. But he has hopes of boosting revenues in the medium term by stepping up the frequency of services

between Edinburgh and Glasgow from every 30 minutes to every quarter of an hour, and trying to lengthen the tourist season in the Highlands.

Mr Green says the attraction of ScotRail is "the chance to focus at a level of detail that was never possible before. We will be very close to our staff, which is only 4,000 people; and we will be dramatically closer to the customer, and that will show. Staff will respond and customer service will improve. That part is going to be great fun to manage."

He tells of an incident last week when signalling and information systems on the lines outside Glasgow's Queen Street station suffered a severe power failure.

Senior ScotRail executives, who previously would have dealt with the fault, could only advise Railtrack and BRIS - which was frustrating. But instead they made exceptional efforts to help stranded passengers get to their destinations.

"The good news that incident tells about the new system," says Mr Green. "It's the total focus that senior staff were able to devote to the customer. The bad news is that three lots of people were making every decision. I do worry about the complexity of what we are trying to do."

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It has not been a good week for grocery brands in the UK. On Monday Sainsbury, the nation's biggest food retailer, launched its own version of Coca-Cola, cheekily close to the real thing in appearance but roughly half the price. On the same day, the House of Commons rejected pleas from brand manufacturers to outlaw look-alike products of precisely the kind appearing on Sainsbury's shelves. The result was a blizzard of free publicity which Coca-Cola needed like a hole in the head, and sure enough, by the end of the week, trade rumour had it that Sainsbury was selling more of its own version of Coke than it was of the original.

Behind the hype lie some serious issues. In recent months, the war between brands and own-label products in the UK has become increasingly vicious, and increasingly based on price. According to the market researchers Nielsen, the rate of inflation for own-label products last year averaged 1 percentage point less than for equivalent brands. But from July onwards the pace heated up, so that by the year end the gap had stretched to 5 per cent. Meanwhile, Nielsen says, own-label sales grew 3.5 per cent faster than the grocery market as a whole.

A decade or two ago, this would have seemed perfectly obvious. Own-label was supposed to be cheap and nasty, a mere substitute for those too poor to afford the brand. These days, it is if anything the reverse. An analysis by another market research firm, AGB, shows that buyers of own-label are more heavily represented among the affluent middle class, living in the south of England and shunning

commercial television. Though most own-label products are still a lot cheaper, not all are. Own-label kitchen towels have over half the market, and the most expensive of them cost more than the brands.

This fits the pattern displayed by the retailers themselves. A really cheap down-market chain like Kwik Save sells very little own-label. Further up-market, Sainsbury sells more own-label than it does brands. Further up-market again, Marks and Spencer sells own-label and nothing else.

Despite their new-found emphasis on price, the retailers have been careful not to sacrifice their quality image. It is worth recalling that Sainsbury has had an own-label cola on its shelves for years. But it was a relatively poor-quality product, not worth pushing heavily. It now has a better version, supplied by Cott Beverages of Canada. At an introductory 59p per two-litre bottle, compared with 105p for Coca-Cola, the new Sainsbury Coke is ferociously competitive on price. Of equal importance, though, is the fact that it also tastes almost exactly like the real thing.

For the branded manufacturers, this combination of aggressive pricing and high quality is the worst of both worlds. Their fight with the retailers, after all, is not an equal one. Retailers do not have to carry the same costs as the manufacturers do, especially in advertising and promotion. Mr David Webster, deputy chairman of Argyl (owner of

Almost the real thing

Brands look increasingly vulnerable to competition from own-label products, says Tony Jackson

Sainsbury UK) is on record as saying retailers could sell own-label products 15 per cent cheaper than brands and still make the same cash return.

The fact that the manufacturers this week failed to stop the retailers selling their products in look-alike packages gives the knife an extra twist. The head of one big retailer, reflecting on the uncanny resemblance between a leading brand of shampoo and his own version of it, privately expresses astonishment that he is allowed to get away with it. This week's vote in the Commons ensures he can still do so. As a result, every time the branded manufacturer advertises his own product, he is giving a free ride to an own-label competitor.

However, the contest may not stay so one-sided for ever. In forcing down own-label prices, the retailers are playing a dangerous game. In an international context, the industry giants like Sainsbury and Tesco are high-cost, capital-intensive operations, which need high profit margins to make their sums work. The more they educate their up-market customers to expect lower prices, the more they risk opening the door to real cut-price retailers like Aldi of Germany or Netto of Sweden.

No such thing, Sainsbury and

Tesco would reply. They are safeguarded, they say, precisely by the expectation of quality which they have so painstakingly built up over the years. It is one thing for foreign cost-cutters to set up their stalls in the UK. It is quite another for them to lay their hands on the kind of quality own-label produce which the British retailers have made their speciality.

Maybe so. But it is worth reflecting that, while the British retailers have been educating their customers on the virtues of own-label, they have also been educating their suppliers. If a manufacturer like Cott can make cola for Sainsbury, it can do it for anyone else. Indeed, trade rumour has it that Cott is talking to at least one other UK retailer already.

The same point can be illustrated in detergents, traditionally a market in which own-label played little part. The UK is a battleground between two giants of consumer branding, Unilever and Procter & Gamble. The most hotly contested area is concentrated powders, which in five years have come from nowhere to take half the market.

But own-label has grabbed a much bigger share of the concen-

trated market - some 15 per cent - than it has of detergents overall. This implies that the specialist manufacturers which supply the retailers, such as Albright & Wilson of the UK and Tensia of Belgium, are at the leading edge of technology. Again, if they can manufacture for Sainsbury and Tesco, they can doubtless make detergents to the same specifications for anyone else.

For both branded manufacturers and retailers, the danger should not be exaggerated. In some product categories, the share held by own-label is still low: chocolate, soap and pet food, for instance. Vulnerability to own-label may be inherent in the product, or in the technology used to make it. According to AGB, most of the top own-label products in the UK are also big own-label products in France and Germany.

But in almost every category, brands have given up ground over the past decade. If anything, the process may be speeding up. It is telling that the discount chain Kwik Save, which has traditionally shunned own-label, entered the market for the first time last year and now reports it to be the fastest-growing part of its business. In the long run, the chief beneficiaries of all this may turn out to be the manufacturers of own-label products; besides, of course, the customers themselves.

Additional reporting by Diane Summers and Neil Buckley

Store wars



UK own label market shares

	1990		1991	
	%	Rank	%	Rank
Dairy products	34	1	47	1
Paper goods	32	2	46	2
Beverages	26	3	33	5
Bakery foods	24	4	35	4
Frozen foods	22	5	44	3
Canned goods	20	6	27	6
Household cleaners	18	7	22	8
Sauces & ketchups	15	8	24	7
Packaged foods	14	9	21	9
Toiletries	11	10	14	10
Soaps & detergents	9	11	8	11
Pet food	6	12	7	12

Finance ministers from around the world have been braving Washington's high pollen count this week as they prepare for one of their twice-yearly gatherings to take stock of the global economy.

When the spring meetings of the International Monetary Fund and World Bank get under way with a meeting of finance ministers from the Group of Seven big industrial countries tomorrow, there will be much accentuation of the positive.

The IMF, in its latest World Economic Outlook, has already forecast a strengthening of world activity and trade this year and next that may lift world output growth to 3.7 per cent next year or close to the annual average since 1970.

The Fund has been quick to attribute signs of improvement to measures taken since its policy-making Interim Committee, representing all IMF members, adopted a "declaration on co-operation for sustained global expansion" exactly one year ago.

But while there is little doubt that lower interest rates in Europe, action to boost economic growth in Japan, market-oriented reforms in the developing world and the successful conclusion of the Uruguay Round of trade liberalisation talks hold out hope of a better future, it does not require much digging to find misgivings among policy-makers about trends in the world economy and their own role.

The sense of malaise is especially pronounced in the industrial countries. The problems start at the top with weak political leadership. Japan and Italy have been going through extended political upheavals, while the leaders of the US, Britain, Germany and now France have been bedevilled by allegations of scandal, internal party divisions, the disappointment of voters' expectations and persistent unemployment.

The reality of the much-trumpeted new world order seems to be an increased focus on domestic policy issues and a tendency to bilateral disputes and settlements, as exemplified by US-Japanese differences over trade. The recession of the

As world finance ministers gather in Washington, Peter Norman detects unease at the IMF

A suitable case for treatment

early 1990s taught nations to put their own houses in order to achieve growth. The G7 economies, comprising the US, UK, Japan, Germany, France, Italy and Canada, may converge in terms of growth next year if Germany and Japan can pull out of recession. But that will entail further divergence of monetary policies, with US short-term interest rates set to continue moving upwards while those in Europe may have further to fall.

It will be the job of the financial markets to adjust to these changes. When the G7 finance ministers meet for the third time in as many months tomorrow, part of their discussions will focus on recent turbulence in financial markets and the role played by derivatives, the complex financial instruments at the centre of much speculative activity. But the ministers' scope for effective action is small in the face of movements of funds that are huge and often appear perverse. Governments have been powerless to influence the big event in the world economy so far this year - the rise in long-term interest rates.

The jump of about 1% percentage points in long-term bond yields since the US Federal Reserve started to raise interest rates in February has demonstrated the capacity of financial markets to ride roughshod over economic policy objectives. Ironically, one reason for the Fed's initial tightening was to prevent the sharp rise in long-term borrowing costs that has taken place.

A general debate over whether the markets are the servants or masters of policy-makers is sure to grow as banking and monetary authorities intensify their investigations into derivatives. But regulators and policymakers seem doomed to lag behind financial innovation, supported as these are by sophisticated computing power and cheap and readily available telecommunications.

The power of the financial markets is just one aspect of a broader trend. The industrialised countries are experiencing a slow but steady diminution in their global status and influence. Modern knowledge-based industries are not tied to natural resources or geographical areas: they can and do migrate easily. While the established industrial countries have been preoccupied by recession and rising unemployment in recent years, new rivals have been emerging.

According to IMF figures, growth in the developing countries, excluding former commu-



Risks in Russia: Michel Camdessus, IMF managing director

nist states making the difficult transition to market-based economies, has only once fallen below 4 per cent in the past eight years. It dropped to 3.7 per cent in 1990. By contrast, growth in the industrial world has only once risen above 4 per cent in the same period when it reached 4.4 per cent in 1968.

This divergence of performance is set to continue, according to the World Bank. It has forecast average annual growth of 4.8 per cent in the developing world over the next 10 years against yearly growth averaging 2.7 per cent in high-income countries.

In a reversal of previous roles, developing nations are emerging as the world's free traders. They have also started to contribute resources

to initiatives designed to improve the world's economic welfare. According to Mr Michel Camdessus, IMF managing director, 20 developing countries contributed to the enhanced structural adjustment facility (ESAF) when the special fund, which lends money at subsidised interest rates to low-income countries, was relaunched by the IMF in February.

Against this background of geo-political change, there are two institutions that the industrialised nations continue to dominate: the IMF and World Bank. Together the G7 countries control just under 50 per cent of the votes in the IMF and the US alone can block any constitutional changes in the Fund.

At first glance, the Fund has never been more influential. It is either developing or negotiating economic reform programmes with about 70 countries. All propagate the orthodoxies of market-oriented policies, low inflation and sound fiscal strategy that underpin the economic programmes of the big industrial nations.

But in the IMF there is a sense of unease not unlike that among economic policymakers in the industrial countries. The unease has crystallised around the risky venture to grant Russia a further \$1.5bn in financial support. The G7 pressured the Fund to negotiate the loan, which was approved unanimously on Wednesday by the IMF board. It has been granted on conditions that appear lax to many developing nations that have been forced to borrow from the Fund in the past.

The G7 has pushed the IMF into the biggest gamble in its 50-year history. Mr Camdessus has in effect staked the IMF's reputation and credibility on the ability of a Russian government in which reformers are absent to reform the economy after many false starts.

If Russia fulfils its part of the bargain and enacts the reform needed to put its economy on the path of growth and low inflation, the IMF and its industrial country masters will be able to congratulate themselves. If not, the IMF could join its client as a suitable case for treatment, and the industrial nations will have suffered further erosion of their position in the world economy.

We believe that Newton will be seen as the defining technology of the digital age," John Sculley, former chairman and chief executive of Apple Computer, said last August, as he unveiled the hand-held electronic "personal digital assistant" shortly before leaving the company.

It is an event that Michael Spindler, Sculley's successor as chief executive, would prefer to forget - along with the many other occasions when the "previous administration" raised expectations of Newton.

In particular, he may not like to recall that, according to Sculley, Newton would be the centrepiece of Apple's strategy "to play a leading role in a \$3.5 trillion market, by the end of the century, for a new class of consumer products" blending computer and communications technologies with entertainment and information services.

Far from leading a technology revolution, Newton has achieved mediocre sales and attracted a backlash of ridicule for Apple. Sculley has promised that Newton would "read" handwritten notes and enable users to send and receive messages. But the software was unreliable and the communications capabilities limited.

"Retail sales of Newton have been disappointing," Spindler finally acknowledged a week ago. He blamed poor salesmanship, however, rather than Apple technology. In January, Apple said 75,000 Newtons had been shipped. The company refuses to give an update, but estimates put the figure at less than 100,000 - nowhere near the number it hoped to sell.

The departure this week of Gaston Bastiaens, head of Apple's Personal Interactive Electronics (PIE) division, which is responsible for Newton, has created uncertainty about the future of Apple's consumer electronics efforts.

Bastiaens, who spent more than 30 years at Philips before joining Apple, is "setting up his own business activities", Apple said. He was not available for comment.

The division has been temporarily placed under the control of chief financial officer Joseph Graziano, which indicates that the division's finances are coming under closer scrutiny as Apple struggles to remain profitable.

The second quarter results, reported this week, illustrate its problems. While revenues were up 5 per cent on the same quarter last year at \$2.08bn, net profits were down 84 per cent at \$17.4m.

Gross margins have fallen from 38.5 per cent of revenues in the second quarter of 1993 to 34 per cent in the latest quarter. The drop reflects the big price cuts Apple made over the past year as it has battled to maintain its share of the personal computer market.

New "Power Macintosh" desktop computers, introduced in March, are selling well and producing higher profit margins, the company said. But two problems remain: the unprofitable PIE and business systems divisions.

Apple Business Systems is responsible for Apple's "server" products, powerful computers linked to PC networks. On Monday, it will introduce a new generation of servers, hoping for a surge of pent-up demand which should make ABS profitable.

In the PIE division, by contrast, there is little prospect

for a turnaround in the short term. With Newton sales "disappointing", the division's activities may be curtailed. Spindler insists, however, that Newton remains an important part of Apple's strategy.

"Apple will not walk away from Newton," says Tim Bajarin of Creative Strategies International, a market research group, but he believes Apple's mistake was to launch the hand-held computer before the technology was reliable. "Newton came out a good 12 months before it should have," he says.

Although Apple last month introduced a second version, which corrects some of the original shortcomings, "first impressions count for a lot".

Pete Snell, marketing manager of MobiloSoft, a software company that has developed spreadsheet and calculation programs to run on Newton, says Apple set unrealistic expectations for Newton. "Apple's vision of Newton as a consumer product was wrong. We think that it has the potential to become a fantastic business productivity tool, but Apple seems to have missed the point from the beginning."

Others criticise Apple for putting too much emphasis on Newton's handwriting recognition. "They made it the 'silver bullet' of the product, and when it didn't work that threw the whole concept into doubt," says Glenn Smith, president of Saitre Software, another Newton software developer.

While Newton has not set tills ringing in computer stores, Apple claims some success in selling to businesses. Later this year, it is expected to introduce a tablet-sized version aimed at business users. The product could be saved if it is "repositioned" as a useful, if less exciting, business tool.

Yet a fundamental problem remains. Sculley may have overblown the potential of Newton, but he was president in statements about the convergence of computer, communications and consumer electronics technologies. With dozens of other companies targeting the emerging market for multimedia communications, such as interactive television, Apple lacks a strategy on how to address these new opportunities. Newton, it is now clear, will not give Apple the leadership role it craves in the emerging digital consumer electronics market.

When write is wrong

Louise Kehoe explains why Apple's Newton has disappointed



Newton: shortcomings revealed

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Labour market efficiency

From Mr James MacLeod.

Sir, In his article about the EU "A fortress would be no defence" (April 15) Martin Wolf states: "Unemployment has been rising cycle by cycle over the last two decades."

But this is not true in the UK, as seasonally adjusted unemployment peaked in the last economic cycle at 3,116,400 in the second quarter of 1986, while in this cycle it peaked at 2,682,600 in January 1993.

The fact that unemployment has peaked at a lower level in this cycle in the UK but is continuing to rise cycle by cycle

elsewhere in the EU is most interesting.

It indicates that changes in the British labour market over the last decade mean that the UK labour market is working more efficiently relative to the EU labour market than it used to do.

It must also strongly suggest that, if we adopt the practices used elsewhere in the EU, such as the Social Chapter, unemployment will increase.

James MacLeod, 14 Rockstar Crescent, Borden, By Glasgow G81 2AG

Complete guide to identity

From Mr Howard Leigh.

Sir, If I am to carry an ID card (Letters, April 21), can it not incorporate all the information currently on the other plastic cards I carry around?

Howard Leigh, Cavendish Corporate Finance, 12 Cavendish Place, London W1M 9DJ

From Mr Martin Gordon.

Sir, Robert Scallion is not alone. Surely an ID card, pref-

erably incorporating a photograph, far from being a restriction of civil liberties as has been suggested, would be a guarantee of identity, ensure holders of all rights and privileges to which they are entitled.

But how do we persuade the government that they are essential?

Martin Gordon, 36 College Avenue, Maidenhead, Berks SL6 6AX

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Low marks for college quality standard

From Ms Chrissie Loveday.

Sir, I read with interest your article "Britain: an audit society in the making" (April 21). I am a lecturer in a college which recently acquired the wonderful BS 5750 certificate. I enjoy my work as a provider of education. I enjoy well-prepared lectures and, most of all, the response of my students. I like to think I am good at my job. Unfortunately, I hate paperwork (except for that connected with the real job).

As a course manager, I am required to keep a course file.

This contains in excess of 20 sections of information, used exclusively by the auditors. I filled my audit on a number of occasions.

● Failure to have the register in the file (I was actually taking the class and was complying with the rule to have it with me).

● Failure to have the course number on the appropriate sheet (it was on the next page, I failed to copy it over; it took a large form filled in by the auditor to tell me this).

● Minutes written on the "old

form" (the one I had been given, as we were using them up before starting on the new ones).

Other failures were similarly trivial. The standardised design of forms does not allow for any course to be different and failure to include forms which are often not even applicable results in still more forms from the auditors.

The consequence of this auditing is to produce unprecedented stress levels in a profession which demands dedication. Teaching quality must

diminish if paperwork takes precedence. But so what?

It seems that no-one is interested in the actual teaching. The solution seems to be to have a breakdown or take early retirement (if possible). It all makes room for more administrators, business managers and the like. Obviously more important than the lowly teaching staff, actually delivering the goods.

Chrissie Loveday, West Tisbury House, Farnham, Surrey, Surrey GU14 6AX

Far better a little less speed - at considerably less cost

From M P Laker.

Sir, We who were fortunate enough to observe from a safe distance Sir Peter Massfield's remarkable business career must welcome his enthusiastic endorsement of the Super Com-

as a reliable confirmation of your own sober assessment. Res ipsa loquitur, indeed! There seems no limit to the extent to which such imaginative and far-sighted men are prepared to plough the public purse. It is hard to see exactly

how the human condition might be improved by, say, Mr Rupert Murdoch's being able to get here in half the time. Rather, such considerations make a better case for a new production run of that splendid classic, the Handley Page HP42

- a move with which Sir Peter, I warrant, would find himself equally happy, and all at so much less expense to the rest of us.

M P Laker, 11 Woodmansterne Road, Coulsdon, Surrey CR5 2DG

US example shows how to align executive pay with shareholder interests

From Mr Simon Patterson.

Sir, The issue of executive pay raised by BP's recent annual meeting (Management, April 15) goes beyond the immediate and emotive subject of the satisfactory renewal of a share option scheme. In the US, where executive pay generates equal controversy, there is a recognition that companies can, with careful planning, succeed in meeting investors' demands to align executive and shareholder interests.

This works where the performance incentive awards at the end of the period are the same ones used by executives to make critical business decisions, such as capital allocation, as well as being the key indicators tracked by analysts when they are making share-price recommendations. In other words, the company and its investors clearly understand what drives shareholder value and efforts in that direction are appropriately rewarded. This way, shareholder

ers see that incentives focus executives on the right things and executives are offered an opportunity to share in the wealth they create. I suspect companies which find themselves some way, but not all of the way, down this road will have a difficult relationship with their shareholders until these measures are identified, and are clearly spelt out.

It is interesting to note that, if you were fortunate enough to invest in companies that manage their assets in this way and insist that remuneration of the decision-makers is highly sensitive to company share price, your portfolio would have significantly outperformed the stock market in recent years. Shareholders might wish to bear this in mind when the next AGM comes around.

Simon Patterson, Strategic Compensation Associates, Regent Street Arcade, 19-25 Argyll Street, London W1V 1AA

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COMPANY NEWS: UK

Inchcape makes agreed £176.6m bid for Hogg

By Richard Lapper

Inchcape, the motor distributor and services company, yesterday announced a £176.6m bid for Hogg Group, which it hopes to merge with its own insurance broking subsidiary, Bain Clarkson.

Hogg Group's board has recommended the cash offer which, if it goes ahead, will create the seventh largest insurance broker in the world. Shareholders' approval for the deal is expected, especially following the decision by HSBC to sell its 6 per cent stake in Hogg yesterday afternoon. HSBC, along with Jardine and Inchcape, had been one of three groups to show interest in Hogg in recent weeks, whose share price fell sharply earlier this year following a profits warning.

The deal, the biggest in the insurance broking sector since the Chicago-based Aon Group, acquired Frank B Hall for some \$475m (£335.3m) in July 1992, has followed extensive speculation about consolidation among a range of medium-sized UK insurance broking groups which are under growing pressure from larger rivals.

Mr Charles Mackay, chief executive, said Inchcape had been seeking to increase the size of its broking activities through an acquisition for more than a year. It expected to seek a stock market listing for the new entity within the next two years.

The group will, through this merger, take a big step towards achieving its strategic aim of creating a leading company in another of its core businesses, said Mr Mackay.

Bain Clarkson had been highly profitable in recent years, but if it was "unable to move from the middle ground" it would be "squeezed by cost competition".

Mr Anthony Howland Jackson, chairman, said he



Anthony Howland Jackson (left), chairman of Hogg, with Bain Clarkson (centre), Bain Clarkson's chairman, and Ron Forrest, its chief executive. Deal will create world's seventh largest broker

was "delighted" with the offer, which would make the enlarged company a market leader in UK commercial broking.

Mr Howland Jackson, who once worked with Bain Clarkson, will become chairman of the new group, with Bain's chairman, Mr Ron Forrest, taking the role of deputy chairman. Bain's chief executive Mr Mackay, who recently joined from Alexander & Alexander, will take over as chief executive of the new group once the offer becomes unconditional.

Bain Clarkson's strength in the UK, Europe, the Far East and south-east Asia complemented Hogg's strength in North America, Australasia, Africa and Latin America. In the UK, Hogg is well known in the market for its expertise in its credit and political risk.

Morgan Stanley, the US investment bank, advised Inchcape. Hogg, which was owned by NM Rothschild & Sons, expects to write to its shareholders before the end of next week. The deal values Hogg ordinary shares at 25p.

J Bibby sells feeds business to AB Foods

By Peggy Hollinger

J Bibby & Sons, the industrial conglomerate, yesterday called off the proposed flotation of four of its businesses in favour of a £35m sale of the agricultural feeds operation to Associated British Foods.

Shareholders will still receive the promised spin-off dividend of 2p, as well as a previously uncertain interim pay-out of 1p. Last year, the group paid a 2p interim.

Barlow Rand, the South African company which owns 70 per cent of Bibby, has waived its entitlement to the special dividend.

The decision to call off the flotation means that Bibby's profits this year will be hit by the absence of the agricultural business, a substantial provision for the three operations it will retain, and the £2.5m of the abortive float. Charges to restructure the paper products, laboratory and electro-optics businesses are expected to run into several millions of pounds. The special dividend will be a further 1p.

The decision to sell the feeds business is likely to be partially offset by interest savings of at least £1m this year. Mr Richard Mansell-Jones, chairman, said the group had also significantly reduced trading losses in Spain, where Bibby owns the Caterpillar dealer Finanzauto.

He said the loss on the disposal would be £12.1m, against more than £25m had the four businesses been floated. The sale to ABF will net Bibby about £31.75m, after a pension payment of £2.25m.

Bibby, which built up substantial debt following the ill-fated 1992 Spanish acquisition, expects to return to a 70 per cent debt to 55 per cent after the sale.

Babcock decision to axe 420 jobs provokes Scottish despondency

A different future for Renfrew

By James Buxton and Andrew Baxter

The announcement this week of 420 job cuts at Babcock International's Renfrew plant has provoked despondency in Scotland that the remains of the country's base in heavy engineering is disappearing before people's eyes.

The Babcock boiler plant is one of the few remaining examples of the type of heavy industry on which Scotland built its prosperity in the late 19th and early 20th centuries. It is the type of plant which Mr Ian Lang, Scottish secretary, must have had in mind when he said recently that manufacturing was "riveted into the Scottish soul".

For years, the plant was the mainstay of the Babcock group, which under its new strategy, outlined on Thursday by Mr John Parker, chief executive, and Mr Nick Salmon, managing director, Renfrew could account for only 5 per cent of group business by 1996-97 - as its role, and that of Babcock's energy division, is reduced.

The plant, which occupies a 134-acre site in this industrial town to the west of Glasgow, was opened in 1987 by the Babcock & Wilcox, whose British arm eventually became bigger than its US counterpart.

As recently as 1984 it was employing some 5,000 people, but the story since then has been one of repeated cuts as Babcock's order book both from the UK and abroad weakened. By 1986 the plant's labour force had been cut to only 2,570 employees; by the end of the following year it

was down to about 1,600.

Last year, in what the workforce understood was a final retrenchment that would see the plant through the next five years, the labour force was cut by a further 25 per cent to 1,150. Now another 420 jobs are to go, of which 230 are those of manual workers.

Mr John Quigley, an official of the AEEU engineering union, calls the scale of the latest outburst "quite devastating". It puts a question mark over the viability of the whole site. I don't see how there can be enough work coming through to meet the overheads

energy policy, "or the lack of it".

Mr Jim Stevens, a lecturer at the Fraser of Allander Institute at Strathclyde University, agrees, saying that since the mid-1980s "the symbiotic relationship between the electricity generators and the power generation industry has been destroyed".

The job cuts at Renfrew were part of a big announcement by Babcock International on Thursday setting out the future strategy for the engineering contracting and materials handling company. It included a four-year plan to

cock has to recognise that much of the region's power equipment needs will be manufactured locally.

As if to emphasise this point, the division yesterday said it had won a technology and design contract for two new coal-fired power station boilers to be built at Ligang in China by the Wuhan Boiler Works. It will bring about 50,000 man-hours of design work to Babcock Energy, but at its Crawley base.

The order was the first since a partnership deal was signed with Wuhan last year to enhance Babcock's ability to win coal-fired boiler contracts in China and give it access to low cost manufacturing capacity.

Far from destroying Renfrew, Mr Salmon says the cuts will reduce the plant's capacity to a sustainable core. The more volatile proportion of its work, new plant business, will fall as a proportion of the total; and other non-profitable work will be cut out.

Babcock now sees its energy division falling from a historic level of more than 40 per cent of group sales to about 25 per cent over the next three years, as the balance of the group shifts towards the materials handling and process divisions - and towards Asia.

The energy division, and Renfrew, now has three-way forward, says Mr Salmon. It could go it alone, be sold, or form a joint venture, possibly with a business partner. The company's strategy is to be an effective player in the Far East, Babcock has to get it into shape.

The division of Babcock International which operates the Rosyth naval dockyard in Scotland has been chosen to operate the Royal New Zealand Navy's dockyard in Auckland. It will do so in a 70-30 joint venture with Skellerup, a New Zealand engineering group.

The Babcock-Skellerup joint venture was selected against competition from the Australian ship-builder Transfield for a 10-year contract.

The contract is the first international facilities management contract to be won by Babcock.

of the non-manufacturing side

of the operation here. Mr Quigley says the steady stream of government orders used to underpin Babcock and make it easier to lodge competitive bids for overseas contracts. "That has now gone, and foreign countries now want to manufacture the lower technology parts themselves - the work which generated the most employment here."

Like other union representatives and local Labour MPs Mr Quigley puts the blame squarely on the government's

issue, priced at 27p per share

to rise about £7.8m. Mr Salmon stresses that the Renfrew plant and the division does have a future. The 160-strong Technology Centre at the site is unaffected by the cuts and Babcock still wants to participate in big power plant projects worldwide.

But it will be a different future - one that recognises, as Mr Salmon puts it, that the other side of the market is on the other side of the world and that to be an effective player in the Far East, Bab-

Peugeot Talbot runs into £8.7m loss

By Kevin Done, Motor Industry Correspondent

Peugeot Talbot, the UK subsidiary of PSA Peugeot Citroën, the French carmaker, suffered a pre-tax loss of £8.7m last year compared with a profit of £10.2m in 1992.

The company's profitability fell steeply during the deep recession in the UK car market with pre-tax profits collapsing from a peak of £12.8m in 1992. It said it had been hit last year by a 6.2 per cent fall in exports to 26,383 as a result of depressed demand in continental European markets.

Its financial performance had also suffered from the impact of the devaluation of the pound against the French franc, which had raised the cost of imported components and had increased its selling costs. Exchange rate losses last year totalled £14m, the company said.

Peugeot increased its new car registrations in the UK, however, by 15.1 per cent to 142,714, which helped to raise turnover by 7.7 per cent to £1.64bn.

As a result of the sharp fall in exports, production at its assembly plant at Ryton, Coventry declined by 15 per cent to 73,886 against 85,728 a year earlier. Output peaked at 118,306 in 1990.

The company was forced to cut its work-

force and reduce production at Ryton to only one model last year, the 306 small family car, as falling sales in west Europe ended UK output of the Peugeot 406. The French carmaker decided to concentrate production of the 406 at one of its main assembly plants at Sochaux in eastern France.

The Ryton plant worked at only 65 per cent of capacity in 1993 and production is currently about 1,800 a week compared with full capacity of 2,800 a week. The Peugeot Talbot workforce was cut by 5.7 per cent last year to 5,889 at the year end. The PSA Peugeot Citroën group suffered a net loss last year of FF1.4bn (£160m).

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Le Creuset falls to £3m in spite of strong performance in UK and US

By Tim Burt

Le Creuset, the London-listed cookware manufacturer, blamed high interest rates and a decline in profits in France for a fall in its share price to £3m in the year to December 31.

The company, which makes cast iron pans, saw pre-tax profits fall from £3.7m to £3m in the year to December 31. Strong sales in the UK and North America helped turnover increase by 7.3

per cent to £40.7m (£38m).

Mr Paul van Zuydam, chairman, said the houseware sector had seen volumes decline by more than 10 per cent in France, home of Le Creuset's manufacturing plants, and around 5 per cent elsewhere. The company had withstood the worst of the downturn, but its export business had been adversely affected by "punitive interest rates" and the strong French franc.

It was, however, boosted by

strengthening demand for its Screwpan brand, the cookware range, for £7m three years ago.

This now accounts for more than 15 per cent of turnover. The company has also diversified successfully into the barbecue business.

Last year it acquired Wolo, the German distributor of Weber grills, for £1m. Expansion into such markets had helped to offset the impact of recession elsewhere in Europe

and provided scope for further acquisitions, according to Mr van Zuydam.

He hinted that future purchases could be funded with a rights issue - diluting his current 73 per cent holding in the company.

Buoyant prospects, he added, justified an increased annual dividend of FF0.44 per share, up from FF0.43 last year. Earnings per share fell from 15p to 13.4p.

Baillie Nippon share issue

Baillie Nippon Shin Nippon, an investment trust specialising in smaller Japanese companies, is seeking between £20m and £40m to fund a conversion of its shares into ordinary shares.

The issue will be by way of a placing and open offer to existing shareholders and warrant holders, rather than a full public offer. A conversion, new warrants with a longer life than existing warrants will be attached to the new ordinary shares.

Demand for Japanese investment trusts is currently strong so shares in Shin Nippon are trading at a premium to net asset value. This makes a new issue relatively attractive.

Cattle's chairman goes with £0.4m pay-out

By Simon Davies

Mr Roy Waudby, the 65-year-old outgoing chairman of Cattle's, has been well-rewarded for his 40-year stint at the company. The consumer credit group revealed yesterday that he is being paid £400,000 as compensation for leaving on December 31.

Mr Waudby, the highest paid director, also received a final salary and bonus of £121,700, up 17 per cent from £104,000 in 1992, compared with the 16 per cent increase in pre-tax profits to £12.5m.

According to Mr Edward

Cran, managing director, the board had an understanding that the age of retirement was 65, but it appears that this was not a legal requirement.

The board was unanimous that Mr Waudby should resign when he hit 65 last year, but "he chose to hide behind his three-year contract".

Fortunately for the company, Mr Arthur Milburn, a director for 20 years who recently reached the same age, agreed to resign unremunerated.

Mr Cran admitted "it was an expensive difference of opinion", but he said the 65-year limit was now written "in tablets of stone".

GKN's revised bid terms

GKN, the engineering and industrial services group, yesterday announced the terms of its revised partial share offer for investors who accepted £277m worth of shares.

Although GKN increased its cash offer from £250 to £255, it found that the partial share offer, which was worth 194.7p in cash and a quarter of a new GKN share, was almost 30 per cent oversubscribed, the directors said.

The group said it would reduce applications for new shares to 75p per share on a pro rata basis. The balance will be satisfied in cash or with £1 GKN loan.

Swiss land a hammer blow on Zantac

Daniel Green looks at the threat to Glaxo's best-selling ulcer treatment drug

Like Muhammad Ali near the end of his career, the world's best-selling drug Zantac is beginning to feel the blows raining down on it.

The latest opponent for Zantac's manufacturer Glaxo is Ciba, the Swiss drug company which has landed a new generic version of the drug which is more potent than any other.

Industry experts and investment analysts are coming to the conclusion that Zantac's reign could be coming to an end more quickly than they had expected.

For Glaxo appears to be neatly sidestepping the patent defences on Zantac that it has as if they would protect it from competition until 2002.

The defences are immense. Ulcer treatment Zantac is easily the world's best-selling drug. Its annual sales of £3.5bn are the equivalent of more than two-thirds the entire UK National Health Service bill. It accounts for more than 10 per cent of Glaxo's profits and probably a higher proportion of

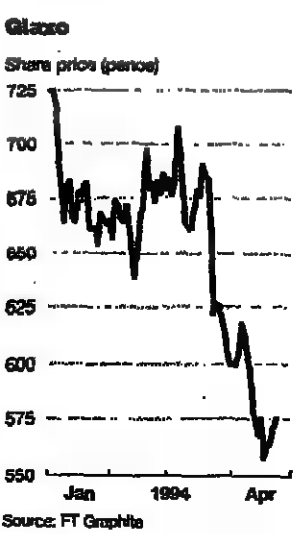
profits. The move represents "the most possible scenario for Glaxo and profoundly alters the outlook for the company," says analyst Mr Peter Laing, from stockbroker Salomon.

"In the past, the introduction of a generic version of a drug cut sales by 50 per cent in 18 months." (Generics are unbranded versions of drugs once protected by patents.)

Mr Laing forecasts that Zantac's annual sales will fall from £2.4bn next year to £1.4bn in years later. Glaxo's shares have already fallen by 10 per cent since Ciba's original announcement on March 21.

Such challenges are not new to Glaxo. The sheer size of Zantac's market has already attracted copy challenges.

In the early 1990s, Canadian generics companies attacked the patent on Zantac, arguing that it was no different to an older version of the drug. Zantac warrants a separate patent. Judges have so far preferred



Source: FT Graphix

might not be needed at all. But only a proportion of ulcer patients turn out to be susceptible to antibiotic treatment and diagnosis of who might be amenable to the new treatment is tricky.

In March, SmithKline Beecham's ulcer drug Tagamet lost patent protection in the US. There will be perhaps 10 manufacturers producing unbranded versions of the product and it seems likely that US doctors will be prepared to switch from Zantac to generic Tagamet on their patients.

Swedish company Astra has a new ulcer drug, Losec, that is taking market share from Zantac.

Nonetheless, the marketing power behind Zantac and its efficacy continue to drive sales. It brought in 10 per cent more revenue in 1993 than in 1992.

Two factors make Zantac uniquely dangerous to Glaxo. Firstly, it is avoiding patent protection by making the older form of the drug, ranitidine, its hand has been revealed

with only a little over a year to go until competition arrives. Sources close to Glaxo acknowledge that the company's position is now "very weak". Neither the patent courts nor regulatory authorities seem likely to come to its defence.

Mr Mark Turner, a partner of specialist law firm Denton Hall, says that a patent might work if Ciba's production process involved the newer form of the drug as an impurity or as an intermediate step. It does neither, insists Ciba.

Glaxo is understandably quiet about what might take. Insiders say that it is exploring every legal avenue in its search for a defence. But it now seems likely that the company is devoting resources to coping with competition as its main product starting next year. It is a threat that anything it has faced previously.

Joseph Holt advances to £8m

Joseph Holt, the Manchester-based brewer, moved to higher pre-tax profits of £8m for the year ended December 31, against £7.4m the previous year.

Turnover rose from £27.7m to £28.7m, while the recommended final dividend of 7p makes a total of 14p for the year.

Strong growth at HC Slingsby

Profits at HC Slingsby grew sharply from £111,000 to £476,000 in 1993, though the trucks and loaders maker pointed out that the 1992 comparative figure had been inflated by redundancy costs moved above the line under FRS 3 requirements.

Turnover rose to £11.8m (£10m) and while operating profits leapt to £450,000 (£275,000), interest receivable slipped to £26,000 (£100,000). Earnings emerged at 1.1p per share and the final

River & Mercantile Geared Capital

Net asset values at River & Mercantile Geared Capital and Income Trust rose from 32.15p to 36.65p per capital share over the 12 months to March 31. The equivalent new ordinary share was 36.65p.

Dividends rose to 1.1p (£1.01m), equivalent to 7.65p ordinary income share, against 7.15p in the previous year. A same-gain final dividend of 3.325p ordinary share was proposed, making an unchanged 7.525p total.

Darby shows improved trend

Darby Group, the Southrop-based maker of specialist glass products, raised profits on continuing activities from £225,000 to £213,000 in the year to February 28, with turnover up almost £1m to £14.6m.

After losses from discontinued operations of £100,000 (£29,000), the pre-tax surplus was reduced to £713,000, against £258m losses previously.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total
Darby Group	0.7	Jul 25	1.2	1.9	1.9
Holt (Joseph)	37	June 14	48	85	85
Leicester	0.44	June 9	0.55	0.99	0.99
Reed Executive	1	Aug 4	1.1	2.1	2.1
River & Mercantile	3.325	June 17	4.2	7.525	7.525
Slingsby (HC)	9	July 1	5.5	14.5	14.5

Dividends shown pence per share net except where otherwise stated. (c) On increased capital. (S) S&P stock. (F) French francs throughout.

Parambe down sharply at £40,000

Parambe, which deals in securities and works of art, reported a sharp fall in pre-tax profits from £123,624 to £39,941 in 1993.

Dealing income from works of art dropped substantially to £5,850 (£169,769). Investment income was also down at £62,933 (£73,289) while security dealing jumped from £42,194 to £111,570.

Earnings per share fell to 0.46p (£0.77p) and the proposed final dividend is held at 0.55p for a 1.1p total. Net asset value amounted to 77.9p (£0.89p) per share.

The directors said they were concerned that in recent years the company's share price had consistently represented a substantial discount to net asset value.

Accordingly, a resolution would be put to shareholders on or before December 31 2000 for a members' voluntary liquidation involving a distribution to shareholders following realisation. That decision was subject to any changes in circumstances or alternative proposals being received, they said.

Burton Property £14.5m disposal

Burton Property Trust, the property arm of the Burton group, is to sell the 87,000 sq ft Quays Office Building in Quayside for £14.5m. The purchaser is Lincoln National, a UK subsidiary of the US insurers Lincoln National Corporation of Indiana.

1250 من الالعاب

Exxon and Mobil lifted by marketing activities

By Richard Waters in New York

Exxon and Mobil, the two biggest US oil companies, more than offset lower earnings from exploration and production in the first quarter with higher profits in their refining and marketing activities. Non-operating items, though, hurt Exxon's earnings by a 2 per cent drop in net income from \$1.1bn before, while Mobil reported a 12 per cent increase.

price, which was 9¢ below its level of a year before, led to a fall in upstream exploration and production income of \$500m. Upstream earnings, though, were buoyed by higher natural gas prices and lower costs, and rose 1 per cent to \$245m.

The lower oil price supported margins in downstream refining and marketing businesses, leading to earnings in the US of \$38m, up from \$21m a year before, and overseas of \$10m, up from \$27m. Exxon's chemicals business reported improved results, thanks to higher volumes and better margins. Earnings were \$10m, up 31 per cent.

ITT hopes to salvage takeover of Ciga chain

By Michael Skapinker in London and Andrew Hill in Milan

ITT Sheraton of the US is believed to be hoping that its deal to buy Ciga, the Italian luxury hotel chain, can be salvaged in spite of indications that it faced collapse.

ITT is thought to be hoping that its threat to withdraw from the deal will lead to a drop in Ciga's soaring share price, allowing the chain's creditor banks to deliver a majority of shares to the US group.

ITT announced last Thursday that it had recalled all its staff from the 35 Ciga hotels, where they had been preparing the way for the takeover.

The announcement followed a sharp rise in the Ciga share price, which threatened to increase substantially the L500bn (£1.1bn) ITT agreed to pay for the chain earlier this year.

The share price rise resulted from the unexpected success of a rights issue, launched on March 17, which had been widely expected to be poorly subscribed, as it was priced at L1,000. ITT's offer was the equivalent of L740 a share.

The failure of the rights issue would have allowed Ciga's 22 creditor banks, led by Mediobanca, to take on the shares and sell them to ITT. However, since the rights issue, Ciga's shares have been trading at above L1,000.

Japanese bank to cut dividend

By Emiko Terazono in Tokyo

Hokkaido Takushoku Bank, one of Japan's 11 major banks, is in cut its dividend following heavy losses which threaten to push pre-tax profits sharply lower.

The bank, based in the northern island of Hokkaido, is reducing its annual dividend by ¥1 to ¥8 per share. Since a dividend cut by a Japanese bank is almost unprecedented, the move confirms stock market speculation about the extent of the loan problems at Hokkaido.

The bank has revised its earnings forecast for the year ended March 1994 and now expects pre-tax profits of ¥8bn (\$55m), down from ¥10bn (\$75m) a year earlier.

Hokkaido aggressively expanded its loan portfolio during the 1990s, along with other Japanese banks. The bank held ¥400.4bn, or 5.4 per cent of its loans, in non-performing loans at the end of September, 1993.

The bank said the figure had risen to ¥500bn by March this year. Some of its larger clients include Daiichi Docom, a major development company, and a number of non-bank financial institutions which are mounting losses.

Japanese financial authorities, reluctant to allow banks to write off non-performing loans, have recently changed their stance, urging banks to clean up their balance sheets.

The bank plans to raise ¥19bn (\$145m) from selling real property loans to buyers, including the Co-operative Credit Purchasing Company, established by banks to buy off non-performing loans. The bank said it would take a further step to reduce the level of problem loans to manageable levels.

Hokkaido is to suspend bonus payments to board members. Mr Hiroshi Yamauchi, president, will retire to become chairman and take responsibility for the bank's financial problems. Mr Kazuo Kawanishi, vice-president, will become president.

UAP seeks FF3bn new capital

By John Riddling in Paris

Union des Assurances de Paris, the French insurance group which is in the process of being privatised, is to raise about FF3bn (\$450m) in new capital, the French economy ministry said yesterday.

The capital increase, which could take place at the same time as the group's privatisation, is expected to take the form of an issue of equity with warrants.

Mr Jacques Friedmann, the chairman of the insurance group, has previously said he was seeking to raise new capital to help finance investment plans and to compensate for recent deals, such as last year's purchase of the international interests of Victoire, the French insurer.

The privatisation phase of the UAP was launched earlier this month. During this period, shareholders can make non-binding indications for sale in the company.

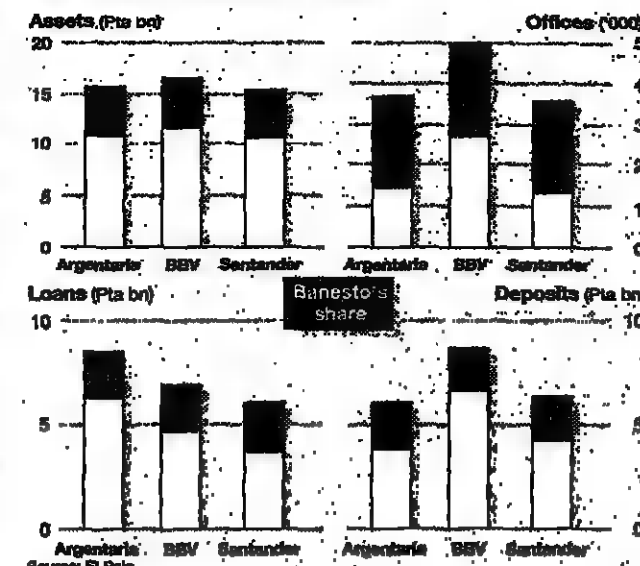
UAP wants SKR2.6bn (\$329.1m) in new capital, Scandinavian's largest contribution group, has been joined with financial and institutional investors by Parip, a Swedish investment company, writes Christopher Brown-Rimes in Stockholm.

Banesto bidders fear the wild card

The contestants will place their offers on Monday, writes Tom Burns

Mr Emilio Botin and Mr Emilio Ybarra - respectively the heads of Banco Santander and Banco Bilbao Vizcaya - interrupted their family holidays at Christmas to hurry to the wood-paneled inner sanctum of the Bank of Spain.

Banesto's possible impact



Whichever bank takes over Banesto will become the indisputable reference point for banking in Spain.

With Banesto on board, any one of the three will become by far the biggest domestic bank in terms of assets, loans, deposits, bank branches and funds under management.

However, Banesto will sorely test its buyer.

The acquisition of Banesto will weaken the capital ratios of the winning bank. According to IBCA, the London-based credit rating agency, a consolidation of Banesto at December 1993 would have brought down Argenta's return on assets from 0.74, BBV's from 0.44 and Santander's from 0.42 to 0.39.

IBCA warned that it would consider downgrading whichever bank acquires Banesto. A succession of brokers have in the meantime switched their equity recommendations for the bidding banks to hold, and in some cases, to sell.

Mr Luis Abril, one of the 10 officials seconded by BBV to run Banesto, says a "huge management effort" will be required by whoever manages to win Banesto.

The caretaker team, Mr Abril says, is "handing over a bank that has been put together again and has a reasonable quality of assets".

The caretaker team projects that Banesto could be returning pre-tax profits of Pta6.6bn-Pta16bn by 1996 with strong growth thereafter.

Some analysts believe these profits to be too conservative. "It is now a very clean bank, perhaps the cleanest of those bidding for it," says Mr Jose Sevilla of Madrid brokers FG.

Their meeting with central bank officials was the first step in a series of rapidly unfolding developments that by next week will have changed the face of Spanish banking and created a group that will rank among the biggest banks in Europe.

Mr Luis Angel Rojo, governor of the Bank of Spain, told the two bank presidents that Banesto, the most traditional and fourth largest of Spain's financial institutions, was on the point of bankruptcy and asked for their help.

On December 1, Mr Rojo sacked Mr Mario Conde, Banesto's mercurial chairman, and appointed a team of BBV officials to reorganise the institution and put it up for sale. The rescue by the Bank of Spain and the rest of the domestic financial community absorbed some \$4m in one of the biggest bank support operations ever mounted.

On Monday, just before the Madrid market closes at five in the afternoon, Mr Botin and Mr Ybarra, will each send an emissary to the central bank with a sealed bid to acquire Banesto. For the two men, it will be a heady moment, the culmination of a momentous poker game.

There is likely to be up to Pta240bn (\$1.7bn) on the table. The cash bids are for 73.5 per cent of the reconstituted Banesto equity following a Pta180bn injection of capital as part of the rescue.

Such bids represent a pricing of Banesto at Pta180bn, against the Pta100bn at which they change hands currently in the Madrid stock market.

Mr Ybarra and Mr Botin nor Mr Ybarra are gamblers but both know enough about high stakes games to fear the wild card in the pack.

This is the third potential buyer in Monday's auction. Mr Francisco Luzon, a former senior BBV executive who now runs Argenta, the partially-privatised state-controlled banking corporation.

Price and only price, the Bank of Spain insists, will be the factor that will decide who wins Banesto.

Members of the eight member panel which will examine the bids is expected to announce the winner soon after they are delivered.

Unless the government, fearing a political controversy, disallows him, Mr Luzon is believed ready to dig deep into Argenta's pockets in order to obtain Banesto.

"The price of Banesto is a different one for the different banks," Mr Luzon said recently in an unguarded moment.

Argenta, which has a comparatively small retail network, is anxious to own Banesto's extensive branch empire while BBV has demonstrated its management depth as Banesto's caretaker and is determined to consolidate itself as the leading Spanish bank.

Spanish banks mixed in first three months

By Tom Burns in Madrid

Argenta, Banco Bilbao Vizcaya and Banco Santander, the three large Spanish banks bidding to acquire the Banesto financial group reported mixed first-quarter results, reflecting narrowing margins on ordinary banking business.

Net interest income at Santander, the most international of Spain's banks with more than 40 per cent of profits arising abroad, rose 14.3 per cent to Pta84.7m (\$471.5m) against the first three months of 1993. Net interest income fell 2.9 per cent to Pta79m at BBV and was little changed at Pta80.2m at Argenta.

Argenta lifted first-quarter pre-tax profits by 12.1 per cent to Pta11.7m thanks mainly to strong income from fees and commissions and provision recoveries and also tight overall costs.

Santander raised pre-tax profits by 9.7 per cent to Pta24.5bn and BBV raised a first-quarter pre-tax profit of Pta24.5bn, or 1.3 per cent. Santander said the quarter had been characterised by "significant instability in domestic and international financial markets and by a general economic environment still showing signs of weakness".

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L.C. Luxembourg B24248
Notice is hereby given to the shareholders, that the ANNUAL GENERAL MEETING of the company will be held at the registered office of the company on Friday, 15 May 1993, at 10:00 a.m. with the following agenda:

1. Declaration of the reports of the board of directors and of the auditor.
2. Approval of the annual accounts and of the statement of operations as at December 31st, 1992 appropriation of the profits.
3. Discharge of the directors.
4. Statutory appointments.
5. Miscellaneous.

The shareholders are advised that no quorum is required for the first meeting of the annual general meeting and that decisions will be taken on simple majority of the shares present or represented at the meeting.

In order to attend the meeting of NOMURA ASIAN INFRASTRUCTURE FUND SICAV the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the company or with NOMURA BANK (LUXEMBOURG) S.A. 6 avenue Emile Reuter, Luxembourg.

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COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Squeeze stirs coffee futures

Nearby positions in the London Commodity Exchange coffee market were highly volatile this week as a supply squeeze distorted values.

The prompt May position climbed \$131 to \$1,625 a tonne at one point, dragging July, the second month, up \$99 to a five-year high of \$1,545.

With most short positions thought to have been covered the market went off the boil and the first two months closed yesterday at \$1,554 and \$1,472 respectively. But with strong domestic demand limiting Brazilian export availability and Indonesia's harvest delayed by bad weather dealers did not rule out a renewal of strong upward pressure as further "in-the-money" call (buying) options were operated.

Coffee prices had taken a knock at the start of the week, following the Brazilian government's announcement of plans to sell 2.4m bags (80kg each) of stockpiled beans on the domestic market in this financial year.

The impact of the announcement was short-lived, however, as protests from growers raised doubts about the plan being implemented through.

Monday saw the LCE coffee market's last, despairing attempt to break through the ceiling of its recent \$800-\$900 a tonne trading range (for the July delivery position). When that failed the patience of the US investment funds ran out and the ensuing flight of cash from the market left the July price languishing a few days later in the low \$90s. At yesterday's close the price stood at \$880 a tonne, down \$21 on the week.

"This shake-out will probably be a good thing for the market in the long run," one trader told the Reuters news agency, "but it could mean losing another \$15 or so first."

Gold and platinum prices

extended their recent retreats this week after the Inkatha Freedom Party's decision to participate in next week's South African elections eased fears that civil unrest could disrupt production of the two metals. News of a tighter US short-term interest rate policy, which would help the bond market, was another depressant for the London gold price, which yesterday afternoon was fixed at \$374.1 a troy ounce, the lowest for nearly six months. By the close it had lost another 15 cents.

What news there was in the aluminium market appeared to be bullish - International Primary Aluminium Institute figures confirmed that the multinational scheme to cut excess production was

bearing fruit; and at a Brussels meeting participants in the scheme agreed informally to examine ways of extending it to include big producers like Brazil, the Gulf states and Venezuela. But the mood of the market remained bearish.

After slipping below \$1,300 a tonne on Monday, the LCE aluminium price fell to \$1,275 by the end of the week. At yesterday's close it stood at \$1,284.50 a tonne, down \$22.50 overall.

Having failed in two attempts to rally the three months copper price broke through the LME's ceiling of its recent trading range on Thursday. But after bottoming at \$1.17 the price was lifted by a buying spree followed by heavy short-covering at the week's end. At \$1.1375 a tonne, up \$0.12, yesterday's \$29.25 rise was aided by news of another big fall in LME warehouse stocks.

Zinc had been the LME's biggest loser until a \$9 bounce yesterday - in spite of a big LME stocks rise - trimmed the three months price's fall in \$16.75, at \$931.50 a tonne.

Richard Mooney

BASE METALS

LONDON METAL EXCHANGE

Prices from Antwerp/London Metal Trade

ALUMINIUM, 99.7% Purity (per tonne)

Open 1259.50 1259.50

Close 1259.50 1259.50

High/Low 1259.50 1259.50

AM Official 1259.50 1259.50

Open Int. 250,000

Total daily turnover 1259.50

ALUMINIUM ALLOY (per tonne)

Open 1259.50 1259.50

Close 1259.50 1259.50

High/Low 1259.50 1259.50

AM Official 1259.50 1259.50

Open Int. 250,000

Total daily turnover 1259.50

LEAD (per tonne)

Open 1259.50 1259.50

Close 1259.50 1259.50

High/Low 1259.50 1259.50

AM Official 1259.50 1259.50

Open Int. 250,000

Total daily turnover 1259.50

NICKEL (per tonne)

Open 1259.50 1259.50

Close 1259.50 1259.50

High/Low 1259.50 1259.50

AM Official 1259.50 1259.50

Open Int. 250,000

Total daily turnover 1259.50

COPPER, grade A (per tonne)

Open 1259.50 1259.50

Close 1259.50 1259.50

High/Low 1259.50 1259.50

AM Official 1259.50 1259.50

Open Int. 250,000

Total daily turnover 1259.50

LME Official 250,000

LME Closing 250,000

LME Official 250,000

LME Official 250,000

LME Official 250,000

LME Official 250,000

LME Official 250,000

LME Official 250,000

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LME Official 250,000

LME Official 250,000

LME Official 250,000

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

PLATINUM COMEX (50 Troy oz; \$/troy oz)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

PALLADIUM COMEX (100 Troy oz; \$/troy oz)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

SILVER COMEX (100 Troy oz; \$/troy oz)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

ENERGY

CRUDE OIL NYMEX (\$200 US gal; \$/barrel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

CRUDE OIL NYMEX (\$200 US gal; \$/barrel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

CRUDE OIL NYMEX (\$200 US gal; \$/barrel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

CRUDE OIL NYMEX (\$200 US gal; \$/barrel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

CRUDE OIL NYMEX (\$200 US gal; \$/barrel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

CRUDE OIL NYMEX (\$200 US gal; \$/barrel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

CRUDE OIL NYMEX (\$200 US gal; \$/barrel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

CRUDE OIL NYMEX (\$200 US gal; \$/barrel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

CRUDE OIL NYMEX (\$200 US gal; \$/barrel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

GRAINS AND OIL SEEDS

WHEAT LCE (\$/bushel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

WHEAT LCE (\$/bushel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

WHEAT LCE (\$/bushel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

WHEAT LCE (\$/bushel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

WHEAT LCE (\$/bushel)

Open 374.1 374.1

Close 374.1 374.1

High/Low 374.1 374.1

AM Official 374.1 374.1

Open Int. 250,000

Total daily turnover 374.1

WHEAT LCE (\$/bushel)

Open 374.1 374.1

CURRENCIES AND MONEY

MARKETS REPORT

Dollar firmer

The dollar firmed yesterday on foreign exchanges ahead of the weekend G7 meeting in Washington, where finance ministers and central bankers are expected to meet on Tuesday.

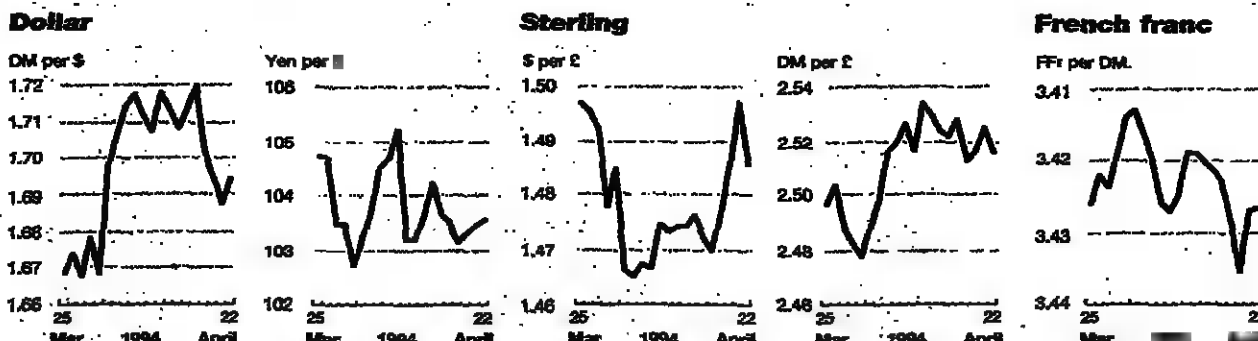
Trading was mostly range-bound as the dollar closed positions in order to protect them against political comment emerging from the meeting which could move the market.

Speculation about the possibility of some dollar supportive package emerging from the G7 helped the US currency close in London at DM1.6847 from DM1.6882. It was marginally firmer against the yen, closing at ¥140.10 from ¥140.00.

The D-Mark closed unchanged at FF3.427 against the French franc, but fell to 1.9567 from 1.9584 against the Italian lira. The Spanish peseta firmed after the central bank cut its key lending rate to 7.75 per cent from 8 per cent, finishing at Ptas1.97 from Ptas1.94.

Against the D-Mark, the pound produced any comment on currencies, which were slightly weaker on account of concerted central bank intervention to support the dollar against the yen. Recovery in the US treasury market lent support to the US currency.

Increasingly, though, the market is taking the view that if the dollar breaches the key support level of ¥102.50, then it is likely to fall below ¥100. Mr Mark Geddes, treasury economist at Midland Global Markets, commented: "I am sure the dollar is going to be tested again."



There was little response to the announcement of two economists, Mr Alan Blinder and Ms Janet Yellen, to fill the vacancies on the board of the US Federal Reserve. The nominations were expected.

German call money rose to 5.20/5.30 per cent, from 4.90/5.00 per cent earlier, when the Bundesbank announced it was selling 100 million treasury bills to put a floor on interest rates.

Analysts said the Bundesbank's action was a reminder to the market not to overreach itself in terms of its interest rate expectations. Although the central bank allowed the repo rate to fall by 12 basis points this week to 5.50 per cent, it now seems likely to remain on a path of slow and steady cuts.

In the money market the June eurodollar contract closed three points firmer at 102.50.

In the UK a stronger than expected M4 lending figure for March gave the pound a small

fillip, but it finished the day a penny lower at DM2.517 from DM2.527. It also finished more than a cent down against the dollar, at \$1.483 from \$1.493.

Sterling futures had a slightly better day, with the June contract finishing three points higher at 140.10. The market mood, however, remains very heavily with the December contract discounting three month money at 100 per cent of the bid.

This is the latest rate rising nearly 1 percentage point from 99 per cent.

Although a string of strong economic data has put a firm dampener on hopes of a near-term rate cut, analysts believe the chance of rates rising soon is also slight.

In the money markets the Bank of England comfortably dispatched a £1.1bn shortage.

POUND SPOT FORWARD AGAINST THE POUND

Apr 22	Closing	Change	On day	Day's	One	Three	One	One	Bank
	mid-point			low	month	month	month	year	of
									index
Europe	17.9671	-0.0026	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Austria	(Sfr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Belgium	(Bfr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Denmark	(DKr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Finland	(Fmk)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
France	(FFr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Germany	(DM)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Greece	(Dra)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Ireland	(Ir£)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Italy	(Lira)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Luxembourg	(Lux)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Netherlands	(Gld)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Norway	(Nkr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Portugal	(Esc)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Spain	(Ptas)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Sweden	(Skr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Switzerland	(Sfr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
UK	(£)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
USA	(\$)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 22	Closing	Change	On day	Day's	One	Three	One	One	Bank
	mid-point			low	month	month	month	year	of
									index
Europe	17.9671	-0.0026	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Austria	(Sfr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Belgium	(Bfr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Denmark	(DKr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Finland	(Fmk)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
France	(FFr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Germany	(DM)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Greece	(Dra)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Ireland	(Ir£)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Italy	(Lira)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Luxembourg	(Lux)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Netherlands	(Gld)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Norway	(Nkr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Portugal	(Esc)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Spain	(Ptas)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Sweden	(Skr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Switzerland	(Sfr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
UK	(£)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
USA	(\$)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751

CROSS RATES AND DERIVATIVES

Apr 22	Close	Change	On day	Day's	One	Three	One	One	Bank
	mid-point			low	month	month	month	year	of
									index
Belgium	(Bfr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Denmark	(DKr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
France	(FFr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Germany	(DM)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Italy	(Lira)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Netherlands	(Gld)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Norway	(Nkr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Portugal	(Esc)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Spain	(Ptas)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Sweden	(Skr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Switzerland	(Sfr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
UK	(£)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
USA	(\$)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751

EUROPEAN CURRENCY UNIT RATES

Apr 22	Close	Change	On day	Day's	One	Three	One	One	Bank
	mid-point			low	month	month	month	year	of
									index
Belgium	(Bfr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Denmark	(DKr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
France	(FFr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Germany	(DM)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Italy	(Lira)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Netherlands	(Gld)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Norway	(Nkr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Portugal	(Esc)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Spain	(Ptas)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Sweden	(Skr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
Switzerland	(Sfr)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
UK	(£)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751
USA	(\$)	17.9751	804	17.9751	17.9751	17.9751	17.9751	17.9751	17.9751

WORLD INTEREST RATES

Apr 22	Over	One	Three	Six	One	One	Bank
	night	month	month	month	month	month	of
							index
Belgium	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Denmark	5.50	5.50	5.50	5.50	5.50	5.50	5.50
France	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Germany	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Italy	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Netherlands	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Norway	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Portugal	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Spain	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Sweden	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Switzerland	5.50	5.50	5.50	5.50	5.50	5.50	5.50
UK	5.50	5.50	5.50	5.50	5.50	5.50	5.50
USA	5.50	5.50	5.50	5.50	5.50	5.50	5.50

UK INTEREST RATES

Apr 22	Over	One	Three	Six	One	One	Bank
	night	month	month	month	month	month	of
							index
Belgium	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Denmark	5.50	5.50	5.50	5.50	5.50	5.50	5.50
France	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Germany	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Italy	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Netherlands	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Norway	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Portugal	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Spain	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Sweden	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Switzerland	5.50	5.50	5.50	5.50	5.50	5.50	5.50
UK	5.50	5.50	5.50	5.50	5.50	5.50	5.50
USA	5.50	5.50	5.50	5.50	5.50	5.50	5.50

EURO CURRENCY INTEREST

Apr 22	Over	One	Three	Six	One	One	Bank
	night	month	month	month	month	month	of
							index
Belgium	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Denmark	5.50	5.50	5.50	5.50	5.50	5.50	5.50
France	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Germany	5.50	5.50	5.50	5.50	5.50	5.50	5.50

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated, prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Tailsman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. † Bargains done the previous day.

British Funds, etc

Trustee 13.1% 2000/03 - 120/15
Exchange 10.1% 2000/03 - 118.4/118.4

Corporation and County Stocks

London County 2.1% Cons Stk 1990/03 after - 120/15 (15/04/94)
Birmingham Corp 2.1% Cons Stk 1990/03 after - 120/15 (15/04/94)
Birmingham District Council 1.1% Cons Stk 2012 - 112.1/121.4
Bristol City 1.1% Cons Stk 2008 - 120/15 (15/04/94)
Dorset Metropolitan Borough 2007/12 - 120/15 (15/04/94)
Leeds City 1.1% Cons Stk 2000 - 120/15 (15/04/94)
Leeds City 1.1% Cons Stk 2007 - 120/15 (15/04/94)

UK Public Bonds

Agricultural Mortgage Corp PLC 5.4% Deb Stk 2005 - 120/15 (15/04/94)
Port of London Authority 3% Port of London A Stk 2005 - 120/15 (15/04/94)

Foreign Stocks, Bonds, etc (convertible payments in London)

AMP (UK) PLC 13% Deb 2015 - 120/15 (15/04/94)
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4 October
18 October

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101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200
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Guide to pricing Authorised Unit Trusts

Compiled with the assistance of Lautro S.

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NORTH AMERICA

UNITED STATES (Apr 22 / US\$)

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AMERICA

US stocks mirror fall in bond market

Wall Street

US blue-chip stocks dipped yesterday morning after the bond market failed to sustain an upward move, but recovered to end the day in a narrow gain.

The Dow Jones Industrial Average fell 1.16 to 3,650.46, while the more broadly based Standard & Poor's 500 index fell 0.81 to 447.92 in moderately active trading.

However, the American SE composite gained 1.10 to 432.23, as the Nasdaq composite added 2.14 to 720.88.

Stocks opened on a positive note, riding on momentum carried over from the previous session's powerful rally. Early

on, bonds were holding steady and the flood of corporate results buffeting the market was muted.

With no major news to influence sentiment, Treasury yields in the mid-morning session were flat.

President Bill Clinton's appointment of Mr Alan Binder and Ms Susan Yellen to fill two vacancies on the Federal Reserve Board had little impact, even though it was seen as a move to dilute its vigilance in fighting inflation.

Stocks mirrored the modest slump in bonds. Near midday, however, they moved closer to opening values

in a late-afternoon updraft. Cyclical stocks were mixed, with technology shares down 1% at 360% and 3M off 1% at 347%.

There were a few results out yesterday to inspire activity. Mobil gained 1% to 77%, its estimated first-quarter net income of \$1.31 a share, against \$1.19 a year ago, beat expectations.

Other oil issues showed little change. Kellogg was well ahead of analysts' estimates, posting net income of 81 cents, against a consensus forecast of 76 cents. But the share price lagged 1% to \$51.14, in spite of an upgrade by NatWest Securities.

In the computer sector, Units dropped 3%, or nearly 100 cents, to \$12.14 after disclosing that its worldwide orders were down in the last quarter.

On the Nasdaq, biotechnology shares improved after Amgen, the sector's bellwether, told analysts that its 1994 earnings projections were too conservative. The issue jumped 3% to \$41, while Chiron climbed 3% to \$29, and Biogen added 1% to \$34.

Canada

Toronto overcame early losses and was firm at midday, as gains in most sectors edged out losses in precious metals and financial services. The TSX 300 composite index rose 1.30 to 4,168.40, on volume of 1.1 billion shares.

Advances led declines by 219 to 374 with 280 unchanged. The gold and silver

was down 198.10 at \$809.45. Among gold stocks, Placer Dome dropped 3% to C\$27, while Lac Minerals eased 3% to C\$11.

Other weak sectors included financial services, down 1.5% at 3,050.87, and transportation which fell 0.18 to 3,931.57.

Strong groups were led by forestry products, products, and energy. Oil and gas stocks were among the most active issues.

Brazil

Sao Paulo jumped 3.3 per cent in heavy late morning trade as investors continued to buy in a technical reaction to the market's recent sharp losses. The Bovespa index was up 1,070 to 13,908 around noon on turnover of Cr\$13.7bn.

Australia depressed by inflation fears in US

Nikki Tait on contradictions in the equity market

There is one overriding theme in the Australian stock market at present. Should it mimic the trend set in US equities? Or can it decouple from the US market, at least in the short term, and reflect the smaller nation's own economic dynamics?

So far, there has been little sign that the latter, arguably more rational course, is being taken. The Australian All-Ordinaries index, which peaked at 2,340.60 on February 3, fell steadily after the US Federal Reserve raised interest rates the following day.

It stabilised in early March, but tumbled even more sharply after the Fed's second interest rate rise on March 22. At the beginning of April, when US shares rallied following their earlier sharp sell-off, Australian stocks followed suit. Finally, when US rates edged higher again on April 18, the Australian market suffered another setback.

By the close of business yesterday, the All Ordinaries index stood at 2,042.5, some 150 points below the level seen at the beginning of March.

In short, over the past three months, interest rate increases in the US and the domino effect on bond and equity prices could be blamed fairly for a near 10 per cent fall in the Australian stock market. True, there may have been a few subsidiary factors: this week, for example, uncertainty over the gold price, and problems with a number of Papua New Guinea mining projects led to a general weakness in gold shares.

But for the most part, Australian analysts have no doubt that Wall Street is leading the way. "Australian financial markets continue to be shaped by inflation fears generated within the US," concluded economists at Challenge Bank this week, for example.

While the Australian economy grew strongly in the fourth quarter of 1993, pushing the annual growth rate to 4 per cent, there is no sign of capacity constraints being reached. On the labour front, unemployment is stuck in double figures.

markets are simply anticipating an inevitable feed-through effect from the US in the medium term, and know that interest rates are more likely to go up than down. "I buy the Reserve Bank's argument," says an economist at Bain & Co in Sydney. "But perhaps the easiest way to view it, is that Australia is about six to nine months behind the US. Markets are just very forward-looking."

The second argument is that a significant portion of the money which supports the Australian equity market emanates from overseas, and traders in different markets for foreign, as opposed to domestic, investors. "Most of the local institutions have to spend," says one equities analyst at ANZ Macquarie in Sydney. "The market pressure is mainly from overseas redemptions. It's hard to tell where that comes from, but the majority is probably US."

Either way, with all the transactive stock-watching, Australia's impending federal budget for the 1994/95 fiscal year has been largely overlooked. The package is due to be handed down on May 10.

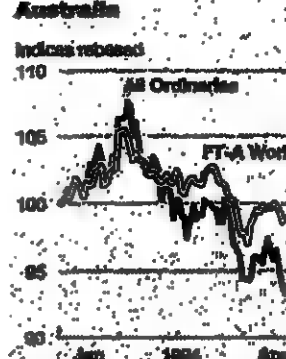
For the stockmarket, it may seem like a major event. Although analysts believe investors will pay more attention to the budget details in a few weeks' time, the government's repeated affirmation of its deficit reduction strategy, and the known strength of the economy should soothe most nerves.

Meanwhile, the flow of new issues has eased. McIntosh Securities estimates that the market will be asked to absorb around \$950m-worth of new offerings in the six months to June compared with \$850m in the previous half-year.

So the prevailing opinion among local analysts is for a fairly calm period ahead. There is a general conviction that the worst of the correction is over, although a few cautious pundits warn that the All Ordinaries index could reach the

earlier potential for prices to rise. Comments by Mr Bernie Fraser, the RBA governor, have tended to support the notion that Australian interest rates do not need to rise in the near term. "Developments which are fundamentally in odds with holding inflation at around 3 per cent over a run of years will bring forth an appropriate monetary policy response," he remarked in a keynote speech at the end of March. Noting the 3 per cent rate of wage inflation, and trend productivity growth of about 1 per cent, he said that "these figures do not pose a threat to price stability at this time".

So why the slavish adherence to Wall Street? Some analysts believe that the domestic



EUROPE

Roussel-Uclaf outperforms as Paris climbs

Responses to Wall Street's overnight recovery varied in their enthusiasm, writes Our Markets Staff.

PARIS recorded its first rise in four sessions, but the 2 per cent gain was mainly technical. It was the last day of the account, and the buying impulse came from futures and bonds.

The CAC-40 index closed up 43.23 at 2,100.77, 1 per cent down on the week. Turnover of FF56bn was higher than the average. Roussel-Uclaf, the pharmaceutical group, outperformed the market with a rise of FF4.04, or 6 per cent to FF763.00, helped by positive analysts' recommendations following a 25 per cent increase in first-quarter income announced on Thursday.

Mr Mark Tracey, of Goldman Sachs, commented that the results highlighted the company's strong pharmaceutical growth, significant benefits arising from restructuring and scope for expansion.

El Sanofi added FF2.24 to FF596.00, it announced that it would make a 4-for-1 share split on June 1, and change its name to Sanofi.

MADRID had a complete change of mood as the Bank of Spain cut its 'heads' points' of the repo rate, interest rate-sensitive and US-influenced stocks

observed on the Spanish market recovered to its previous level, virtually flat on the week.

Turnover soared from Ptas19.7bn to Ptas33bn. Sevillana led a strong utilities sector and rose Ptas35 or 5.5 per cent to Ptas666. Telefonica added Ptas6 at Ptas1,760 while in banks, BBV climbed Ptas6 to Ptas3,205. The more likely contenders in the Bancox auction, Argenta and Santander, were less lively, while Bancox itself fell Ptas22 to Ptas778.

FRANKFURT was braked by the pharmaceutical sector, itself weakened by profit-taking and toxic dumping rumours. The Dax index fell 16.95 to 2,213.92 for a 0.5 per cent gain on the week as BASF fell DM4 to DM317.80 and Hoechst DM4.50 to DM337.50.

Turnover rose from DM10.4bn to DM11.6bn. Other cyclical moves were mixed, Siemens rising DM7.80 to DM734.80 ahead of next week's results and Daimler up DM10 to DM884.50. But Volkswagen and Mannesmann down on profit-taking to DM545.50 and DM7 to DM478.50 respectively.

Financials and other defensive stocks gave the market some impetus with Allianz DM90 up to DM230, Deutsche Bank DM15.50 at DM781 and retailiers better again.

Mr Hans Peter Wenzel at

FT-SE Actuaries Share Indices

Apr 22		THE EUROPEAN SERIES									
Hourly change	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close			
FT-SE Euro Stoxx 100	14,481.37	14,481.37	14,481.37	14,481.37	14,481.37	14,481.37	14,481.37	14,481.37	14,481.37	14,481.37	
FT-SE Euro Stoxx 200	14,481.37	14,481.37	14,481.37	14,481.37	14,481.37	14,481.37	14,481.37	14,481.37	14,481.37	14,481.37	
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FT-SE Euro Stoxx 200	14,481.37	14,481.37	14,481.37	14,481.37	14,481.37	14,481.					

INVESTMENT TRUSTS - Contd.

334	1.8	28.1
159	28	165.7
223	2.5	2.5
105	2.5	2.5
357	6.5	40.1
367	6.5	40.5
209	1.2	228.4
178	8.5	67.1
177	8.5	102.3
16	8.5	67.1
52	8.5	124.2
434	9.5	48.5
43	9.5	48.5
228	9.5	48.5
294	1.7	351.9
294	1.7	351.9
134	1.5	142.2
105	0.5	110.5
49	3.5	78.5
218	9.5	94.5
235	9.5	140.1
12	4.5	72.7
70	4.5	72.7
318	9.5	374.3
239	1.3	176.3
127	3.4	121.1
67	1.3	176.3
45	1.3	176.3
114	1.3	104.4
105	1.3	104.4
105	2.0	93.5

Warranted	27	30
Florida Prov Ethical	96	702

207	0.5	277.3	-	-
40	12.2	43.0	-	-
954	-	-	-	-
72	5.2	143.5	-	-
140	6.8	141.8	-	-
230	-	-	-	-
72	13.8	-	-	-
98	-	283.5	-	-
195	-	-	-	-
5955	1.9	-	-	-
132	9.4	91.7	-	-
101.2	-	-	-	-
391	28.1	37.4	-	-
94	-	-	-	-
115	5.4	108.5	-	-
105	3.3	-	-	-
176	-	288.4	-	-
169.2	3.8	-	-	-
5	9.4	117.4	-	-
5	-	-	-	-

German) Stahl	203	212
Werra	204	213

[illegible]

Secord Units ☐ 78 77

176	7.8	0.6	0.6	1.1
177	0.6	0.6	0.6	0.6
178	0.6	0.6	0.6	0.6
179	0.6	0.6	0.6	0.6
180	0.6	0.6	0.6	0.6
181	0.6	0.6	0.6	0.6
182	0.6	0.6	0.6	0.6
183	0.6	0.6	0.6	0.6
184	0.6	0.6	0.6	0.6
185	0.6	0.6	0.6	0.6
186	0.6	0.6	0.6	0.6
187	0.6	0.6	0.6	0.6
188	0.6	0.6	0.6	0.6
189	0.6	0.6	0.6	0.6
190	0.6	0.6	0.6	0.6
191	0.6	0.6	0.6	0.6
192	0.6	0.6	0.6	0.6
193	0.6	0.6	0.6	0.6
194	0.6	0.6	0.6	0.6
195	0.6	0.6	0.6	0.6
196	0.6	0.6	0.6	0.6
197	0.6	0.6	0.6	0.6
198	0.6	0.6	0.6	0.6
199	0.6	0.6	0.6	0.6
200	0.6	0.6	0.6	0.6
201	0.6	0.6	0.6	0.6
202	0.6	0.6	0.6	0.6
203	0.6	0.6	0.6	0.6
204	0.6	0.6	0.6	0.6
205	0.6	0.6	0.6	0.6
206	0.6	0.6	0.6	0.6
207	0.6	0.6	0.6	0.6
208	0.6	0.6	0.6	0.6
209	0.6	0.6	0.6	0.6
210	0.6	0.6	0.6	0.6
211	0.6	0.6	0.6	0.6
212	0.6	0.6	0.6	0.6
213	0.6	0.6	0.6	0.6
214	0.6	0.6	0.6	0.6
215	0.6	0.6	0.6	0.6
216	0.6	0.6	0.6	0.6
217	0.6	0.6	0.6	0.6
218	0.6	0.6	0.6	0.6
219	0.6	0.6	0.6	0.6
220	0.6	0.6	0.6	0.6
221	0.6	0.6	0.6	0.6
222	0.6	0.6	0.6	0.6
223	0.6	0.6	0.6	0.6
224	0.6	0.6	0.6	0.6
225	0.6	0.6	0.6	0.6
226	0.6	0.6	0.6	0.6
227	0.6	0.6	0.6	0.6
228	0.6	0.6	0.6	0.6
229	0.6	0.6	0.6	0.6
230	0.6	0.6	0.6	0.6
231	0.6	0.6	0.6	0.6
232	0.6	0.6	0.6	0.6
233	0.6	0.6	0.6	0.6
234	0.6	0.6	0.6	0.6
235	0.6	0.6	0.6	0.6
236	0.6	0.6	0.6	0.6
237	0.6	0.6	0.6	0.6
238	0.6	0.6	0.6	0.6
239	0.6	0.6	0.6	0.6
240	0.6	0.6	0.6	0.6
241	0.6	0.6	0.6	0.6
242	0.6	0.6	0.6	0.6
243	0.6	0.6	0.6	0.6
244	0.6	0.6	0.6	0.6
245	0.6	0.6	0.6	0.6
246	0.6	0.6	0.6	0.6
247	0.6	0.6	0.6	0.6
248	0.6	0.6	0.6	0.6
249	0.6	0.6	0.6	0.6
250	0.6	0.6	0.6	0.6
251	0.6	0.6	0.6	0.6
252	0.6	0.6	0.6	0.6
253	0.6	0.6	0.6	0.6
254	0.6	0.6	0.6	0.6
255	0.6	0.6	0.6	0.6
256	0.6	0.6	0.6	0.6
257	0.6	0.6	0.6	0.6
258	0.6	0.6	0.6	0.6
259	0.6	0.6	0.6	0.6
260	0.6	0.6	0.6	0.6
261	0.6	0.6	0.6	0.6
262	0.6	0.6	0.6	0.6
263	0.6	0.6	0.6	0.6
264	0.6	0.6	0.6	0.6
265	0.6	0.6	0.6	0.6
266	0.6	0.6	0.6	0

Initial Weight	490	423
Midway Air Tot.	82	53

619	1.6	598.4	4.6
624	3.2	150.4	-2.8
41	-	-	-
120	3.8	137.8	1.9
46	-	-	-
142	3.8	138.3	-2.8
46	-	-	-
57	-	-	-
39	-	-	-
125	1.9	134.0	-7
38	-	-	-
2245	-	-	-
501	0.8	63.4	2.8
16	-	-	-
348	3.9	344.8	-40
345	-	-	-
333	4.1	355.7	-44
342	-	-	-
437	1.2	476.2	2.6
438	-	-	-
82	35.1	-	-

Cap	147	+1	174
Zero Div Pct	154.2	---	160
Heb	---	---	---

172	3.83	120.5	-7.4
324	4.2	302.5	16.5
120	3.5	145.2	8.8
103	-	100.9	-7.8
48	-	-	-
100	-	-	-
108	3.6	110.8	4.7
124	-	-	-
30	-	-	-

New City & Corral	119	+1	142
Warrants	52	+1	73

78	—	—	—
-71	—	100.6	50.7
197	1.3	199.7	-1.4
53	—	80.9	-0.0
70	—	90.2	10.9
81	—	—	—
212	—	253.5	-0.6
210	0.2	—	—
226	2.3	307.7	10.3
93	10.8	101.0	-7.4
121	—	—	—
263	1.4	416.7	10.3
433	—	—	—
190	0.3	523.5	3.5
335	—	—	—
47	0.4	49.7	15.5
44	—	—	—
193	0.3	274.7	14.8
76	—	—	—
80	—	—	—
131	1.6	190.9	3.3

صَدَقْنَا مِنَ الدَّاعِلِ

LEISURE ■ HOTELS - Cont.

OIL INTEGRATED

PROPERTY - Cont.

SPORTS, WINES & CIDERS

TRANSPORT - Cont.

[illegible][illegible][illegible][illegible][illegible]

170	1	201
201	1	431

[illegible]

21

[illegible]

1994
24

[illegible]

+ 02 1994

[illegible]

File Allocation	100%	100%
Project Size	100%	100%
Project Size	100%	100%

[illegible]

LEISURE & HOTELS

[illegible]

Bullpup	CS	304	-2	177
Hardy	CS	168	+1	177

Per Oils	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	147%	+2	
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740C CPU	100	1
Postcard box	107	1
Sheet	200	1

Property	Price	Change
1000 Maple	410	+1
1000 W. 1st	1	
1000 W. 2nd	571	+2
1000 W. 3rd	571	+2
1000 W. 4th	571	+2
1000 W. 5th	571	+2
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Abbey National and TSB keen to follow Lloyds' takeover example

Banks target building societies

By John Gapper and Alison Smith

Britain's big high street banks said yesterday that Lloyds' £1.8bn cash bid for Cheltenham & Gloucester Building Society had sharpened their interest in taking over building societies in order to win more of the mortgage market.

Both Abbey National and TSB Group said they would be keen to acquire societies. Other banks are watching to see if the High Court allows Lloyds to pay cash to C&G savers and borrowers.

owns insurers Allied Dunbar and Eagle Star, is understood to have been, apart from Lloyds, the most serious contender for C&G.

Mr Peter Ellwood, TSB chief executive, said his bank, which advanced £1bn in mortgage lending last year, would be interested in acquiring a building society provided it fitted properly with the bank's branch structure.

Mr Ellwood said he believed that Lloyds' bid, under which C&G's 1.4m savers would receive payments of up to £10,000 each, would "trigger some changes in the industry" which would improve products and services to UK mortgage customers.

Mr Ellwood Toner, managing director at Abbey National's retail division, said the bank had been interested in buying a building

etly if the potential barriers to an acquisition were cleared.

"We would be interested in watching how it develops. There is more than a year to go, and it could face a few hiccups on the way," said Mr Toner.

The legality of Lloyds offer will be tested in the High Court in May. If the offer is cleared, C&G members will be able to decide in November if they want to accept. Cash payments would be made in the second quarter of 1995.

The declaration came as figures were published showing further evidence of the recovery in the housing market. Levels of net loans to customers by building societies returned to the levels of last summer at £360m for the month of March. Societies' net new commitments to lend reached £3.7bn in March, the

highest level since October 1991. But for the fifth month running, societies suffered a net outflow of personal savings as investors withdrew their deposits.

The increasing difficulty societies have faced in attracting retail funds from savers is one reason why the sector has lobbied for an increase in the legal limit on the amounts they can raise in whole-sale funds. As part of the resulting government review, Treasury ministers and senior officials are supporting proposals to transfer supervision of big building societies to the Bank of England.

Outflow of funds, Page 6
Men in the news, Page 8
The future for societies, Page 11
What Lloyds takeover of C&G means for customers, Weekend FT III

Mandela woos old financial enemies

Johannesburg brokers applaud their former foe, reports Mark Suzman

The lack of the affluent white class in the Johannesburg Stock Exchange yesterday looked as if it was just a temporary blip.

Financial expressions became more positive as they broke into applause when Mr Nelson Mandela, president of the African National Congress, made his maiden speech to the exchange.

Mr Mandela at the exchange, struggling to make himself heard over the din of "Amandla" (power) coming from the black office workers and others who had gathered in the large atrium outside to celebrate the presence of their leader. When he had finished, one broker voiced the feelings of many of the gathered businessmen. "He was quite impressive, wasn't he?"

The financial community might have been forgiven for

looking on with some scepticism at Mr Mandela's speech. "A casino," the ANC said, "is not so long ago." Policy documents repeatedly called for "state interventionism and regulation" and highlighted the need to "nationalise and restructure the financial sector".

But Mr Mandela, who was a lifelong member of the ANC, pledged greater co-operation between government and the private sector. "The stock exchange," he said without a trace of irony, "has an important role in the reconstruction and development of our country."

Stressing his faith in "sound market principles," Mr Mandela was at pains to emphasise the "critical role of business in building our economy". He cited the ANC's proposed Reconstruction and Development Programme, worth R280bn (£3.3bn) over five years, which will fund black development projects, as an

example of government trying to set a framework to help business.

It may have taken four years of hard lobbying by the local and international business community, but Mr Mandela's speech was taken by nervous businessmen as final proof that the ANC seems to have learned that the local stock market, the 11th biggest in the world by capitalisation, will have to play a key role in developing a healthy economy and setting the tone for potential foreign investors.

Demonstrating the ANC's new-found sensitivity to the financial sector, Mr Mandela was at pains to emphasise the "critical role of business in building our economy". He cited the ANC's proposed Reconstruction and Development Programme, worth R280bn (£3.3bn) over five years, which will fund black development projects, as an

government would "bring the stability needed for international investment". His farewell waves to black workers showed he still knew who his natural political constituency was, but his audience was reassured. As another broker put it: "I would be surprised if anyone here voted for him, but I'm a lot more relaxed about him being president."

And as Mr Mandela walked away clutching a memento of his first encounter with unchained capitalism - a set of gold cufflinks embossed with the JSE logo - the real reward for his visit was evident on the floor.

Following his talk, the market began to rise on a healthy mix of foreign and domestic buying, and the industrial index finished the day 23 points up at 5,986.

Security crackdown, Page 4
Winds of change, Weekend I
System takes blame, Weekend X

Clinton nominations to Fed may tilt balance to 'inflation doves'

By Michael Prowse in Washington

President Bill Clinton yesterday put a Democratic stamp on the US Federal Reserve by nominating two pragmatic academic economists to fill vacancies on his seven-member board of governors.

Mr Alan Blinder, a member of the White House Council of Economic Advisers, was named as successor to Mr David Mullins as vice-chairman. Ms Janet Yellen, an economist at the University of California, was selected for the governorship recently vacated by Mr Wayne Angell.

If confirmed by the Senate, Mr Blinder and Ms Yellen will be the first Democratic appointees to the board since the Clinton presidency. Mr Blinder is

regarded as a possible successor to Mr Alan Greenspan, the Fed chairman, whose second term expires in March 1996.

The nominations come at a critical juncture for US monetary policy. Led by Mr Greenspan, a Reagan appointee, the Fed is tightening monetary policy for the first time in five years in an attempt to prevent rapid economic growth putting upward pressure on inflation. This week the Fed signalled its third increase in short-term interest rates in less than 18 months.

Senior Clinton officials have publicly supported the Fed but are privately worried it may be tightening policy too aggressively.

By selecting Mr Blinder and Ms Yellen, Clinton is in the Keynesian tradition, Mr Clinton

is likely to tilt the balance of power within the Fed towards "inflation doves" - policymakers who put more emphasis on creating jobs than on further reducing inflation.

Mr Clinton said Mr Blinder, a former Princeton economist and Business Week columnist, had been "an economic conscience within my administration".

Mr Stephen Roach, chief economist at Morgan Stanley, the Wall Street investment house, said the nominees were unlikely to affect the thrust of Fed policy in the short term.

The recent work of Ms Yellen, a former colleague of Ms Laura Tyson, the chief White House economist, on the economics of gang behaviour might be helpful in the Fed's handling of financial markets, Mr Roach said.

Tough line from Offer

Continued from Page 1

several companies and are due for completion in July. Companies could challenge the outcome at the MMC before next April.

In his letter, Prof Littlechild has suggested an appropriate rate of return on assets should be about 10 per cent. The companies' main concern is his suggestion that the assets could be calculated on market capitalisation shortly after privatisation, not on the cost of replacing current assets.

Prof Littlechild indicated he will change the way prices are regulated. Existing contracts relate maximum allowed revenue to volumes of power sold.

Prof Littlechild has suggested that the revised formula should also be influenced by customer numbers and a fixed cost element.

THE LEX COLUMN

Littlechild's lecture

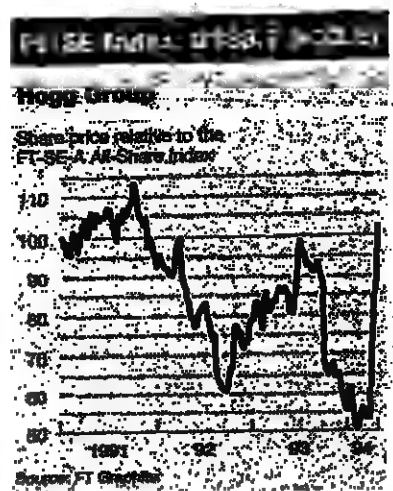
It was always clear that the regional electricity companies would be unable to hang on to the excess profits from their distribution businesses for ever. What surprised the market yesterday was the speed with which the electricity regulator currently envisages clawing back those earnings. On its own, the proposed annual price cut of 3 to 4 per cent after inflation would have seemed soft: the Regs should have little difficulty achieving reductions of that order. It is the rumoured 10 to 20 per cent cut to start the ball rolling that has the market in a state of alarm.

But Professor Stephen Littlechild's letter is, of course, only an opening shot. The companies are muttering about taking the Regs to court. Commission if he does not back down. The threat is probably not idle given the new hard line being taken by institutional investors over what they see as excessive interference in privatised utilities. Having set a precedent by encouraging water companies to stand up to Ofwat, they can be expected to put spine in the Regs too.

The MMC is unlikely to give the Regs much more favourable treatment than their regulator. Prof Littlechild's estimated cost of capital of 6 per cent in real terms looks about right. But that is not the point. The question is whether Prof Littlechild can be pressed into giving ground before going to the MMC. If his willingness to compromise with the generators earlier this year is any guide, the chances of a partial retreat must be high.

UK equities

Despite yesterday's 32 point rise, the London equity market still looks range-bound. Having dipped sharply at the start of the week in response to the latest Federal Reserve tightening, it recovered at the end as the US bond market rallied. Equities thus still seem tied to the bond markets. With the results reporting season largely over, there is less corporate news to go on. There does not even seem to be a great deal of mileage any more in hoping for a base rate cut. The money markets are discounting a rise in rates later in the year. Without solid evidence that the recovery is faltering, a cut seems unlikely. Even if it happened the market would probably assume that no more reductions were



Hogg's Group
Share price (pence) to the FTSE-100 Share Index

in the offing, which is hardly a recipe for higher share prices. The Fed's action on Monday shows it is not in the business of knee-jerk reactions to individual indicators. But the debate progresses about the extent of the rate rises that will be needed to reach what it calls a neutral stance for policy. Bonds, and therefore equities too, could have some nervous moments next week given the steady flow of US economic indicators, culminating in Thursday's first-quarter GDP report.

The encouraging aspect is that with each rise in US rates, the shock to the markets becomes less. Equities might be able to move back into higher territory if bond markets stage a sustained recovery once the US tightening is perceived to be over. The question investors will still have to ask is whether share prices that move in response to bond markets really do reflect fundamental earnings and dividend prospects.

Inchcape

The market turned up its nose at Inchcape's planned acquisition of Hogg Group, knocking 2 per cent off its share price. But that seems a grudging response to a neatly-turned deal. Admittedly, the purchase marks a departure for Inchcape, which has been averse to buying public companies in the past. There are still worries about the depths of Hogg's trading problems and the acquisition is unlikely to contribute to Inchcape's earnings this year. At 40 times estimated earnings, Inchcape is paying a full price. Writing off goodwill will knock more than £150m off Inchcape's

shareholders' funds, lifting gearing to 50 per cent.

But Hogg is unlikely to prove a pig in a poke. The consideration is a relatively modest 1.35 times Hogg's brokerage income and there is scope to restore operating margins. Hogg forms a geographic fit with Inchcape's own Bain Clarkson. Benefits should also derive from sheer economies of scale. The merger may eventually give Bain Hogg Clarkson the strength to vault into the top tier of insurance brokers. Its partial flotation within the next two years will enable it to use paper to fund the next leap forward, which will be useful given the goodwill costs involved in buying asset-free businesses.

From where Inchcape started, the deal makes strategic sense. Given Bain Clarkson's modest size, Inchcape either had to get bigger or get out of insurance broking. The merger and flotation may enable it to do both.

Mortgage lending

Hard on the heels of Lloyds Bank's bid for the Cheltenham & Gloucester Building Society, Inchcape comes another piece of bad news for the building societies. March statistics show a net outflow of retail funds nearly as high as the record of £575m posted for September 1993. Still, it would be wrong to exaggerate the squeeze facing the societies. The Lloyds/C&G merger will not actually happen until mid-1995. Had it not been for withdrawals for early payment of fuel bills, the March figures would have looked very different. There is less incentive for savers to desert building societies now the equity market tone is uncertain.

The prospect of a long list of early casualties from a mortgage price war thus looks remote. The societies have ample room to meet mortgage demand through a combination of wholesale funding, interest credited to savings accounts and repayment of existing loans. This has allowed them to win back share from the banks this year, albeit from a low base in 1993.

The stock market's reaction to the Lloyds deal in marking down Abbey National by a further 3 per cent yesterday also looks distinctly overdone. Competition for mortgage lending is undoubtedly strong, but the original attraction for many banks was the abnormally high margins on offer. Their enthusiasm could wane as quickly as it arose if these margins come under too much pressure.

FT WEATHER GUIDE

Europe today
Western Europe will experience thundery showers after a brief warm period. France, the Benelux and the western part of Germany should have the most showers. The British Isles will have intermittent rain, particularly in the west and north. Scandinavia and many parts of Germany and the Balkans will have sunny spells with only isolated showers. Inland Greece will also have a few showers, while the coast and the islands stay mainly dry with sunny periods. Italy and Spain will have afternoon and evening showers, and Portugal will be cloudy with rain.

Five-day forecast
On Sunday, showers, some with rumble of thunder, will advance into Italy, Switzerland and the Benelux. North-eastern Europe will remain dry and unseasonably warm. Monday will be cool as a westerly air stream from the Atlantic moves into western Europe. This will cause very unsettled conditions. Eastern Europe and Scandinavia will stay under the influence of a stationary high pressure area. In these regions, there will be plenty of sunshine and above normal temperatures.

TODAY'S TEMPERATURES

Location	Minimum	Maximum	Weather
Abu Dhabi	25	35	fair
Accra	24	30	showers
Algiers	15	25	cloudy
Amsterdam	10	20	cloudy
Athens	18	28	sun
Bahia	22	32	sun
Bangkok	26	36	sun
Batavia	24	34	sun
Bombay	24	34	sun
Buenos Aires	18	28	sun
Calcutta	24	34	sun
Cairo	18	28	sun
Cardiff	10	20	showers
Chennai	24	34	sun
Cebu	24	34	sun
Dakar	24	34	sun
Dhaka	24	34	sun
Dublin	10	20	showers
Edinburgh	10	20	showers
Frankfurt	10	20	showers
Geneva	10	20	showers
Hamburg	10	20	showers
Helsinki	10	20	showers
Hong Kong	24	34	sun
Iskandhar	24	34	sun
Jakarta	24	34	sun
Kuala Lumpur	24	34	sun
London	10	20	showers
Los Angeles	18	28	sun
Lyons	10	20	showers
Madrid	18	28	sun
Manchester	10	20	showers
Melbourne	18	28	sun
Miami	24	34	sun
Montreal	10	20	showers
Mumbai	24	34	sun
Nairobi	24	34	sun
Paris	10	20	showers
Rangoon	24	34	sun
San Francisco	18	28	sun
Seoul	18	28	sun
Singapore	24	34	sun
Stockholm	10	20	showers
Sydney	18	28	sun
Taipei	24	34	sun
Tokyo	18	28	sun
Toronto	10	20	showers
Vancouver	10	20	showers
Vladivostok	10	20	showers
Warsaw	10	20	showers
Washington	18	28	sun
Wellington	18	28	sun
Winnipeg	10	20	showers
Zurich	10	20	showers

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السنة الأولى

Weekend FT

SECTION II

Weekend April 23/April 24 1994

A family blown by the winds of change

Lucia van der Post expected a jolly party when her large South African family called for a reunion. But the country's imminent elections infiltrated every conversation

Drelations," she said, "I remember early last year, 'we were from a large, old-established South African family with a rich history yet many of us did not know each other. Let us have a reunion."

That was how it began. We, (husband, two children, one girlfriend and I) did not hesitate - we knew we had to go. What we did not know then, as we planned what we imagined would be a jolly family outing, was what extraordinary times we would witness.

South Africa is in all our bones, in our hearts and in our minds, even though England is now our home. I come from an old Afrikaner family - my grandmother's family was there almost from the beginning, her mother was one of only two survivors of a massacre of the Liebenberg Trek.

A great-grandfather fought at the battle of Boomplaas in 1848, two of my father's uncles were killed at Jagersfontein, my grandfather wrote two of the first novels that ever appeared in Afrikaans, had a law practice that spanned from the Orange River to the Limpopo, was the last chairman of the executive of the last parliament of the old Orange Free State and had 15 children. The chance to explore our history and renew these links was irresistible.

Our first stop was Johannesburg and a weekend with a cousin. A distinguished lawyer, he gave three years of his junior barrister's life to defending Nelson Mandela, Braam Fischer and others in the Rivonia treason trials.

He has had, on the day we arrive, to evict some squatters who are illegally occupying other people's property. They refuse to be tried by him because he is "white" and sit sulking in their cells. "Justice," he retorts, "doesn't have a colour. It has a quality." But still they will not come.

He lives, like most of white Johannesburg, behind electronic gates with surveillance lights and security alarms. We escape with some of his friends and children to his farm in the high veldt where we sit, like the old Afrikaners we are, chatting round the fire long into the night.

The election, of course, is never out of anybody's mind. "Listen," says one of the cousins, "what most of this country doesn't seem to realise is that we are going into this election without a proper constitution. Most of the whites are so relieved to have the moral burden of apartheid lifted that they can't see beyond election day."

"Everybody thinks Chief Buthe is an



obedient old fellow but we may all end up being grateful to him - he at least is holding out for a more federal constitution."

I am interested in how they will vote and what, it seems, will vote DP (Democratic Party). "They are whigs," says one of the younger members of the group, "but at least their heart is in the right place."

Another is adamant that in spite of it being the best tactical way to vote (it being most likely to offer anything like a decent opposition to the ANC) he could not vote the Party. "For," he says, "they have been playing a devious game," he tells me.

"They always had an end-game in mind. They knew this day would come and they plotted and planned so that they and the ANC could stitch up the future of the country between them. They have shopped the legitimate interests of all the other groups for the sake of their own relationship with the ANC."

One of the young cousins' wives, who came with a group of friends in restoring

land removed from tribes when the homelands were established, tells me quietly that she is going to vote ANC. "For me," she says, "it is an emotional thing. All through my youth they were banned and now that at last they have a legal voice I must support them."

I isn't long before we all begin to feel a sense of heightened awareness, of what it is like to live on the edge. This is far from depressing. At the dinner tables and round the braai, round lawns and on the beach, the chat is endless, the debate furious, the anecdotes rich. Every day happens big and small reveal the complexity of the issues being thrashed out.

When we reach the Drakensberg mountain resort, where 140 or so members of the group, with their kin and friends, are gathered, we can hardly wait to hear the individual stories, to find out how they all really feel.

We are all gathered round my father, Sir Laurens van der Post, the elder of the

tribe, is prevented from coming but Ella, his only surviving sibling, a younger sister, now 88, is to be family story-teller-in-chief.

On the first evening as I join the gathering I hear a relation (one of the many surgeons in the group) say: "Listen, six months ago I was very liberal. Now I'm a fascist." I hold my breath. In the event all goes well. There turns out to be a remarkable consensus among the group.

"Since the minute we first set foot in Africa," says a professor of music, "this day was waiting for us. It had to come. We all know that and most of us welcome it. But we feel it is being rushed through, that it is such a quick birth."

Her sister is ruefully honest about the day her son brought home the Indian girl. "I was so angry," she says, "but I was always very radical - refused to fight in the army. I had my savings to African charities and then he asked if he could bring an Indian girlfriend to his sister's 21st birthday party."

"I said no and he didn't push it. He just

hid his time. Then one day her father rang up and said, 'I think we should stop this thing right now.' But Pierre replied: 'I think they need all the love and support they can get.'

"The voice at the other end then said: 'If that's the way you feel then we will go along with it.' The next day my son brought the girlfriend home and this beautiful, educated, composed girl stood at the door and introduced herself. I took to her at once. But it is still hard that people find it so 'interesting'. I wish they could just be happy about it."

In so large a family where many members are lawyers, doctors, professors, it is inevitable that there is a lot of talk about the constitution. It is, it seems, the only thing that this so-called constitution is merely an interim constitution. It is 200 pages long, few people have read it and there is general despondency about the South African press which seems never to have examined it properly.

Seldom, is the consensus, has the press

had such a job to do and I am so lamentably to do it.

"It is not through malice, either," one says. "They mean well. They have simply been away by a liberal pressure for an election - any old election, so long as we can say one man, one vote, they think democracy will have been served. Never mind that scarcely anybody knows what they are voting for."

"Do you realise," says a cousin, "that the incoming government is to be the interim constitution anyway it wants? Do you realise, too, (and I had not until a few weeks ago) that we are not voting for a specific representative as in western-style democracies. When we vote, say NP, the NP will allocate the seat to one of its members. This means the allegiance of that member is almost certain to be to the party, the source of his power, not to his constituency."

Another cousin, who was a member of the Williams commission, whose report laid the foundations for the big changes in labour law, law began the opening-up process and whose commitment to change predated de Klerk's "conversion" by years, is also deeply perturbed.

"Most of this group here (our family at the reunion) will vote pragmatically - that is to say, they recognise that what is needed for any sort of democracy to function is the strongest possible opposition to the ANC and so, I can be almost sure, that most will vote NP."

"The difficulty is that history tells us that democracies function best in homogeneity. Here in South Africa where we have a multiplicity of tribes and cultures and languages, a federal system would be the best guarantee of peace and proper democracy. The seeds of conflict are built-in to the interim constitution as it stands - it gives too much power to a single group and neglects the interests of all the others."

The sense of dismay and anxiety is everywhere. It seems widely acknowledged that originally de Klerk promised the country a federal constitution, on very similar lines to the Swiss one, which would cater for different cultural entities, but was forced to abandon it by the ANC.

The lawyers in the family (and there are many) tell me that most of the South African judiciary is deeply perturbed by the lack of a proper Bill of Rights.

"All my life," says one, "I have never thought I could live anywhere else. This is where I belong... but when the National Negotiating Committee threw out the Bill of Rights without even reading it - a Bill of Rights that had been drawn up by the distinguished legal minds in the country - then I said to my children, OK, now I give you permission to leave."

Even a few begin to contemplate living anywhere else. "We Afrikaners," they tell me, "have nowhere else to go. We can't be following our own way around the world the way some of the British immigrants have done."

But mostly they do not even want to. "I would miss everything about South Africa

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Lunch with the FT: chef Marco Pierre White, the first in a new series

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Long View/Barry Riley

Fighting for dividends



Dividends are in the news again. Paddy Linaker, managing director of the M&A unit trust group, has written to their defence, arguing that the Treasury might be considering anti-dividend measures as a result of its review of government policies on savings and investment flows. The City must stand up and fight for high payouts, said Linaker this week.

Political worries apart, he ought to be quite pleased at how the dividend flows are improving. Payouts by UK listed companies stood still for three years up to 1993, with a final blow (for pension funds, charities and holders of personal equity plans, at least) from the reduction in reclaimable dividend tax imposed in the March 1993 Budget. But over the past year dividends have risen by 6 per cent, by 24 per cent in the first quarter of 1994 alone, and hopes in the City extend as far as annual growth of 10 per cent in the next year or two.

Dividends are important to financial institutions in the UK. Pension funds were badly affected by last year's tax problem, because actuaries normally value them on the basis of their current income and its expected growth. So although the market value of pension funds rose by an average 25 per cent the actuarial values may not have improved at all. As for unit trusts, groups such as Linaker's rely heavily on selling funds that offer healthily growing income. But the dividend of the UK equity income unit trust dropped by more than 10 per cent last year.

This week's rise in gilt-edged yields to 8 per cent provides a further reminder of the challenge to equity income funds. In a low inflation environment fixed interest investments will become more attractive. Certainly, there needs to be a prospect of strong dividend growth to justify the current ratio of nearly 2.2 long-term gilt yields and the average income from equities. Inflation down to about 2.5 per cent

certainly provides no excuse for big dividend rises. Profits are strongly up, but it had been expected that finance directors might be keen to rebuild their companies' dividend cover before embarking on large increases: cover was about 2.5 times on average in the mid-1980s when payouts were surging, but is now about 1.8 times.

Moreover, companies no longer suffer from the takeover fears that inhibited much of the generosity to shareholders at the end of the 1980s when annual dividend growth reached 15-20 per cent. So why are the corporate purse strings being loosened? Is it because executive directors are so loaded up these days with stock options?

Maybe, but it is also apparent that British companies are feeling well off, having moved back into financial surplus and refinanced their excessive debt burden. In fact, argues an interesting research study from Barclays de Zoete Wedd, low inflation has raised the quality of company earnings; there is no longer a big gap between historical cost and profits. So companies can reduce their payout ratios without fear of over-distribution - that is, of the erosion of the real capital base of the company.

However, high dividends do not always please. Look at the case of Glaxo, which has increased its payout by 57 per cent over the past years but which has suffered a share price drop of 44 per cent relative to the All-Share Index over that period. If higher current dividends reflect deteriorating future growth prospects, as they do at Glaxo, which cannot see a way of investing its enormous cash flow profitably, a derating will take place.

Growth, dividends and share prices are therefore linked in a complex way. If more dividends now mean less in the future, the stock market is not going to be pleased. The political debate, meanwhile, is focused on the relatively low level of capital investment in the UK.

All one level the politicians want to see more dividends because this will raise output and create jobs. But the

government has another agenda: pressed for revenue, it will be tempted to increase the tax on the corporate dividend over the next five years. This is partly because corporate taxes have been rising at 15 per cent year-on-year against 4 per cent for personal income. It is also because, in the context of a general election in 1997 or 1999, companies do not have to pay the already high tax, but rather thoughtlessly, because it has underpinned the Conservative philosophy of the 1980s that tax should have a neutral impact on whether profits are retained or distributed. In fact, for dividends paid after April 5 this year and received by a 40 per cent taxpayer, the total tax paid on the underlying company profits will be 66 per cent against 33 per cent if the profits were retained.

The change to dividend tax has already been announced, but rather thoughtlessly, because it has underpinned the Conservative philosophy of the 1980s that tax should have a neutral impact on whether profits are retained or distributed. In fact, for dividends paid after April 5 this year and received by a 40 per cent taxpayer, the total tax paid on the underlying company profits will be 66 per cent against 33 per cent if the profits were retained.

A justification for high payouts can be that they facilitate the recycling of resources from wealthy, established companies with surplus revenues, such as Glaxo, to rapidly expanding industries where investment needs are high. Plainly, tax interferes with this process of redistribution via shareholders.

The dividend change will be worth a fine a few institutional investors are worried that the Treasury might be its savings as a smokescreen to justify further moves in the same direction, with the tax credit falling to 15 or even 10 per cent. The motive would be to raise revenue, but the excuse would be that excessive dividends should be discouraged.

The circuitous excuse given by Norman Lamont last time was that companies would be helped by the change because their cash flow would benefit through the partial switch from corporation tax (paid early with the dividends) to mainstream tax (paid later). As it happens, companies are no longer short of cash.

Linaker may see it differently, but companies will find it politically prudent to keep their dividend modest this year.

CONSISTENT PERFORMER



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MARKETS

London

The great share-price mystery

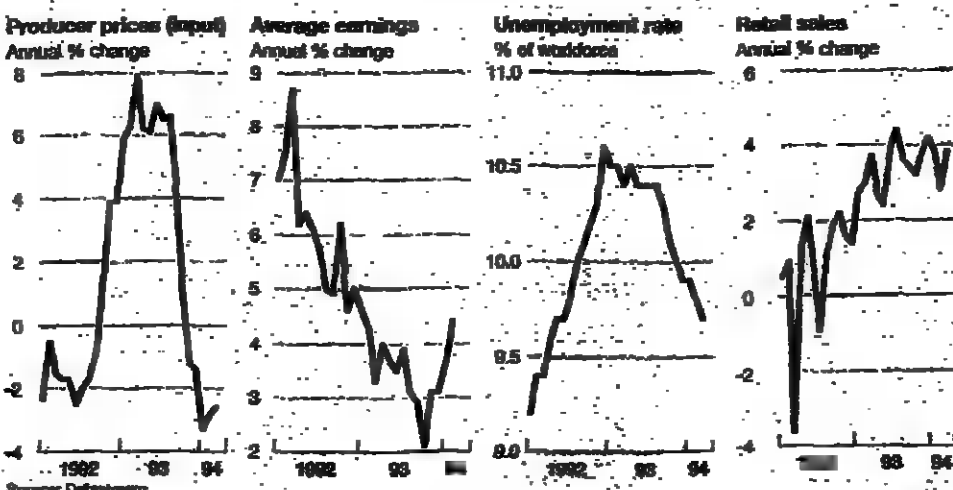
Maggie Urry

One of the great mysteries of the financial world is why the share price of the FTSE 100 index has risen so much since September 1992, when it stood at 2,000 points. The answer, it seems, lies in the fact that the index has risen by 100 per cent, while the value of the companies it represents has risen by only 50 per cent. This is a puzzle that has baffled investors and analysts alike.

The same question can be applied to the whole stock market. The past week has demonstrated the old paradox that "good" news can be "bad" for the stock market. A string of statistics indicating that the economy is strengthening has been taken to mean that inflation will surge again, the run of the pound has been up to its eyes in it, and the price of oil has risen. Thus, economic recovery is "bad" news for the stock market.

But that ignores other factors which have tended to drive the market up. Inflation is not getting out of hand. Monday's producer price numbers, which showed input prices still falling and

What chance of a base rate cut?



Another puzzle was the equally "bad" news that 30,000 people found a job in March, cutting the percentage of the workforce unemployed to 10.1 per cent. By that logic, the stock market should be lifted by the 1,000 job losses announced this week at London International Group, the 50th at the International Group, the 50th at the International Group, the 50th at the International Group.

Yet more "bad" news came in the shape of retail sales figures for March, on Thursday, which were 0.3 per cent up on year-on-year compared to expectations of a 2.7 per cent rise.

Although the revival in consumer spending has been a mainstay of the economic recovery, the assumption was that this month's figures would have already dampened spending in shops, which is

Serious Money

Simple advice that made Buffett rich

Gillian O'Connor, personal finance editor

This evening many of America's most serious investors will be watching a baseball game in Omaha, Nebraska. Throwing the first pitch will be America's second richest man, Warren Buffett, who has made \$25.5bn by inspired but prudent investment. The baseball game is the prelude to the annual general meeting on Monday of Berkshire Hathaway Inc, the company Buffett runs with his partner, Charlie Munger.

Over the last 29 years, Berkshire's asset value has risen at an average annual rate of 23.3 per cent compound. Less successful investors scour the world for a company that can match Buffett's performance.

Buffett is routinely scathing about "institutional investors" - one of those self-contradictory terms called an oxymoron, comparable to "lady mud wrestler". His own strategy is to search for good businesses which he can understand, run by honest and competent people, offering outstanding long-term value and available at a very attractive price. Having tracked down these rarities, he holds on to them for a very long time.

This year the first butt of his annual sermon is "standard diversification dogma" - the conventional wisdom that all investment portfolios should contain a wide spread of different shares. He goes on to query the usefulness of constructing portfolios using "beta" analysis - measuring their investment risk by the relative volatility of the individual shares or of the whole portfolio.

Buffett does not attempt to defeat the academic theorists on their own abstruse grounds. He uses complementary arguments. First, his own strategy breaks all the standard rules, but he regards himself as a prudent investor. It may be that his strategy is fundamentally sound in the long term. Secondly, beta-theory produces absurd consequences - his own portfolio consists of a few lumpy holdings - risky according to the academics. But "portfolio concentration may well decrease risk if it does, as it should, both the intensity with which an investor thinks about a business and the comfort-level he must feel with its economic characteristics before buying into it."

He suggests that investors should stick to his knitting: limit the number of decisions he needs to make and concentrate on getting those right. "By confining himself to a relatively few, easy-to-understand cases, a reasonably intelligent, informed and diligent person can judge investment risks with a useful degree of accuracy."

"If you are able to understand a business, find it to be a sensible priced company that possesses important long-term competitive advantages, conventional diversification makes no sense for you... In the words of the prophet Mae West: 'Too much of a good thing can be wonderful.'"

And what if you do not understand business economics but want a long-term stake in industry? Buffett has a superficially surprising suggestion: regular investment in an index tracking fund. The tracker gives you the conventional wide spread, but ensures that you do not seriously underperform the market. A regular investment scheme, which buys more shares when the market is low than when it is high, helps you beat the market. "When 'dumb' money acknowledges its limitations, it ceases to be dumb."

Next week 31, Britain's largest venture capital group, takes its first step towards a stockmarket launch in late June. With shareholders' funds of around £1.5bn, it is a plausible candidate for the FTSE 100-share index, and will be a giant among investment trusts. On Tuesday, nearly 100 private-olite stockbrokers are due at the seminar where it paddles its charms.

Not that there should be much trouble whipping up interest. The group is owned by the major banks and only a third of the equity is likely to be sold. Professional investors will be keen buyers. The boring reason for their enthusiasm is their desire for an appropriate "weighting" in any FTSE company. The interesting one is that it provides a unique opportunity to invest in small "growing" companies, without any of the normal technical problems. And the small company sector should benefit disproportionately from Britain's economic recovery.

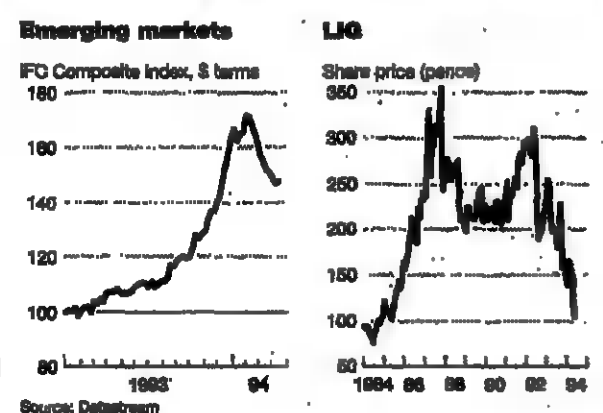
How would it shape up to Buffett criteria? It is far more diversified - 3,500 different investments - than Buffett's own portfolio. But it operates in the part of the economy that is, almost by definition, growing over the long term. And it's unusual willingness to give the companies in which it invests the chance to grow without imposing a penal timetable keeps new capital knocking at its door. Buffett would surely approve in its commanding position in its own market, and of its stress on good management.

To claim that all the hundreds of employees are Buffett clones would be stretching your credulity. But both at 31 and in Omaha, Nebraska, the emphasis is on thinking like a businessman - not like an institutional investor or a lady mudwrestler.

HIGHLIGHTS OF THE WEEK

	Price	Change	1994	
FT-SE 100 Index	3133.7	-34.6	3088.4	Falling from previous
FT-SE Mid 100 Index	1000.0	-35.1	1035.1	Profit-taking
British National	432	-44	528	Dividend disappointed
British (Lauria)	89	+9.6	102	FTSE 100 inclusion
BICC	465	+23	442	Dividend disappointment
Budgens	28	-3	49	Dividend warning
British (Lauria)	294	+26	296	Dividend warning
British (Lauria)	257	+35	257	Dividend warning
British (Lauria)	147	+15	147	Dividend warning
Lloyds Banking Ltd	407	+23	471	Dividend warning
British (Lauria)	599	+83	680	Dividend warning
British (Lauria)	105	-22	173	Dividend warning
Rolls-Royce	198 1/4	+11	198	Dividend warning
Wellcome	515	-23	704	Sector concerns
Yorkshire	272	+32	280	Dividend warning

AT A GLANCE



Not emerging but submerging

Emerging stockmarkets had a rough first quarter, with an aggregate fall of nearly 15 per cent, according to the IFC index. The biggest falls have generally been in Asia, notably Malaysia, Thailand and the Philippines, which are all more than 10 per cent lower than they were at the start of this year. But the pattern is patchy: in Europe, for example Turkey plunged 55 per cent, while Hungary is 28 per cent higher. Most of the larger markets have been hit by the global economic crisis, which has upset all world stockmarkets. And it is the more obscure markets, such as Columbia that have started.

London International Group to restructure

London International Group, the Duxor and Marigold gloves company, announced plans to restructure and refinance. The shares fell further this week when it revealed that its net assets would be virtually eliminated by "very substantial" restructuring charges. The sale of its ColourCare photoprocessing business is crucial to the revamp, although it is unlikely to bring in much money. Three UK plants are being closed for a loss of 1,000 jobs with a further 1,000 job losses worldwide.

Pensioners may escape tax

Pensioners who face an unexpected tax demand because the Inland Revenue has only recently found out about their state pension, may soon be able to get out of paying some or all of it.

Anthony Battishill, chairman of the Inland Revenue, said on Wednesday that the extra-statutory concession allowing tax to be waived in cases of official error is to be extended to such cases.

Under the concession, tax can be wholly or partly waived where the Revenue has failed to make timely use of information supplied by the taxpayer or the taxpayer's employer.

All the tax can be waived for taxpayers with a gross income of £15,500 or less. Above this limit, a proportion of the tax is waived on a sliding scale according to income. With gross income of more than £40,000, none of the tax is waived.

Smaller companies hold steady

The Hoare & Co. Smaller Companies Index (Capital Index version) was virtually unchanged over the week to Thursday 21 April. Over the same period the FT-A-All Share index fell by one per cent. So far this year smaller companies have held up comparatively well - up 11 per cent compared with a 9 per cent fall for the FT-SE 100 index and 6.6 per cent for the All-Share.

Wall Street

Fed casts a dark shadow over sunny profits

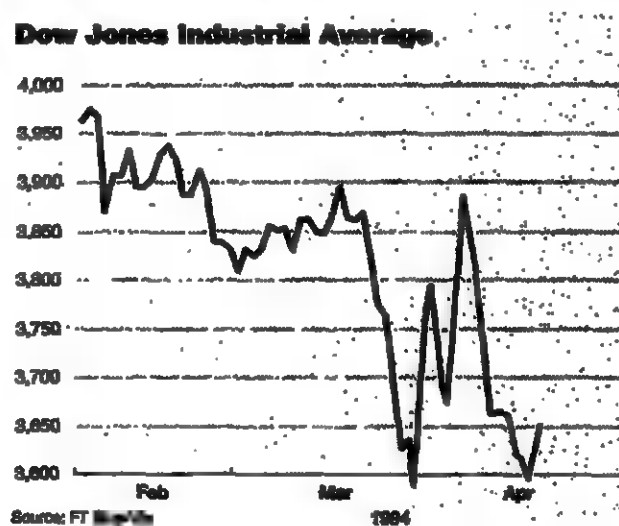
The first quarter reporting season is in full swing, and judging by the results released so far, corporate earnings continued to improve during the first three months of this year. The stock market, which should be delighted by the steady growth in profitability, is anything but in several notable cases (Motorola, Chrysler, Caterpillar), an impressive first quarter earnings report has prompted heavy selling of shares. The indifferent reaction of investors in good results lately has not been confined to a few big name stocks. Company earnings were mostly strong this week, yet over the first four trading days the Dow Jones Industrial Average lost a net 9 points.

It seems that these days, there is no pleasing anyone on Wall Street.

There is some logic behind the market's capricious behaviour, however. The market is always going to struggle to make headway in a world that appears with an inflation rate increase from the Federal Reserve - especially if the timing of the rate increase (which lifted the Fed funds rate, the rate at which banks borrow from each other, from 3.5 per cent to 3.75 per cent) catches investors by surprise. It was the second monetary policy tightening within a month, and the third such move since early February.

Apart from the fact that higher interest rates tend to make equities look less attractive compared to fixed-income investments, investors' main worry about higher interest rates is that, after a time-lag, the higher cost of borrowing will start to slow the pace of economic and corporate earnings growth, probably by the third or fourth quarter of this year. So, while the current earnings picture may be bright, investors fear that the outlook for earnings is becoming clouded.

Thus, Chrysler reported record first quarter profits on Tuesday that exceeded analysts' expectations, but the car maker's share price dropped 32¢ to \$48.75 in heavy trading. It also explains why shares in



Caterpillar fell 1 1/2% to \$57.75 on Wednesday after the agricultural equipment manufacturer posted equally impressive quarterly earnings.

Investors also fear that the Fed is not yet done tightening its monetary arm. The Federal Reserve's next meeting is scheduled for May 17.

Moreover, some market analysts are warning that the next time it raises rates, the Fed might not be satisfied

with just putting up the fed funds rate again. The more important discount rate (the rate at which banks borrow money from the Fed), which has not moved since July 1992, could go up from 8 per cent to 3.5 per cent. That would certainly hammer home the message that the Fed is vigilant against inflation, but it might also inflict a hammer-blow to the stock market's already fragile confidence.

Against this background, many analysts on Wall Street are now saying that the current stock market "correction" has further to go. The Dow has already fallen 8 per cent from its January 31 high of 3,978.36, and the average forecast for the size of the correction has been around 10 per cent, which would ultimately take the Dow down to around 3,580.

Yet, with more than \$100 billion in new issues, the market's future earnings deepening, these forecasts are being revised, and the majority of analysts are now predicting that the Dow will drop in between 3,400 and 3,200 before the final stage of the correction is completed.

That the Dow is not already careering toward those lows has something to do with IBM, which this week managed to buck the prevailing trend and reeled in a set of quarterly results that was received enthusiastically by the stock market. IBM shares, which have languished for so long as investors waited for "Big Blue" to shake off its blues, jumped 84¢ to \$58.75 after the company reported a profit of \$392m for the first three months of the year. Although comparisons with the same quarter's earnings a year ago were complicated by various special items, the market was clearly delighted with the figures. The sharp rise in IBM shares helped power a 54-point rally by the Dow, and ended a string of four consecutive losing days for the market.

Patrick Harverson

Monday	3620.43	-41.05
Tuesday	3619.82	-0.60
Wednesday	3588.71	-31.11
Thursday	3552.54	-36.17
Friday		

The Bottom Line

Crucible caught in debt vice

Morgan Crucible had a ticklish problem over the past couple of years. The City has been unrelentingly with the level of its borrowings, which are equal to two-thirds of its market value, but investors have been reluctant to support the obvious solution - a rights issue.

During the 1980s, Morgan Crucible moved up a dollop of new shares in fund acquisitions, and after rights issues in 1980 and 1981, its share price had risen enough.

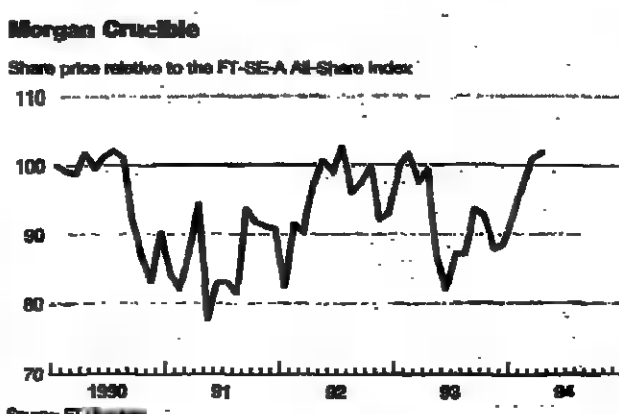
The Morgan Crucible has been suggesting another solution - the sale of its Holt Lloyd care subsidiary - and last week it hinted that a deal was close. The delay in consummating a deal had proved rather fortunate since Holt Lloyd has slipped a very strong recovery pushing up its potential price. Last year its profits jumped from £1.1m to a new peak of £7.7m on sales of £100m, prompting some analysts to predict a sale price of around £100m.

That would be gearing to about 30 per cent and finally dispel the rights issue cloud hanging over the shares.

However, the cloud picture is a company which has moved through the recession pretty well and, thanks to the acquisitions of the last few years, is well-placed to prosper in the 1990s.

The rights issues of 1980 and 1981 provided the funds to buy market share in its core businesses and have Morgan Crucible the market leader in carbon brushes - used in electric motors - ceramic tiles and the eponymous crucibles, and a number of technical ceramic products. Indeed it is now so dominant in many of its markets in the UK and Europe that it would be precluded from making further acquisitions by anti-trust regulations.

Instead it is concentrating on rationalising the dozens of plants it inherited, which are scattered around the world. In carbon it is cutting back on



number of plants in the UK, and in Europe concentrating production on two countries where its costs are lowest - the UK and Hungary.

Bruce Farmer, chief executive, believes such restructuring and improvements in its manufacturing processes will

As a result, some analysts are predicting that group profits will rise by a third over the next two years helped by a strong recovery in the Americas and half in sales.

But what of the longer term prospects? Some of the group's products, notably carbon brushes and crucibles, are in distinctly mature markets, at least in the developed world. But it has good prospects in less advanced markets in Latin America, the former Soviet bloc and China where demand for its basic products is likely to grow strongly over the next five years. Having set up a greenfield thermal ceramic plant in China six years ago and bought a plant in the largest carbon brush factories, the group is about to take a controlling interest in a specialty chemical business. In Russia, it is negotiating for the return of its St Petersburg plant which it abandoned in 1993.

Morgan Crucible has also proved adept at developing new uses for ceramics - for example in artificial hip-joints and safety air bags in cars - and calculates that 18 per cent of 1993 profits came from products it did not have three years ago.

1993 also saw two years of cash outflow reversed, thanks partly to tighter control of working capital, with a strong inflow recorded in the first half. That in itself helped to revitalise the share price which has outperformed the market by almost 20 per cent over the past six months.

After rising 8 per cent to 55p last year, analysts' conservative profit forecasts range up to around 75p for 1994. That puts the shares on around 17 times prospective earnings - a healthy premium to the market as a whole - and at this level new buyers would have to treat them as a long-term investment.

David Wighton

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* Source: Bloomberg. Listing suggests price returns to \$12.04. All indices from M&B Capital International Group. The Fidelity Funds Emerging Markets Fund is part of Fidelity Funds SICAV, which is a company incorporated in Luxembourg. Fidelity Funds Emerging Markets Fund has 23 classes of shares (the "funds"). The value of shares may rise or fall due to changes in the rate of exchange of the currency in which the fund is invested. Fidelity Funds Emerging Markets Fund will differ in material ways from the underlying investments may prove difficult to sell. The risk of significant fluctuations in the price of shares and of the suspension or redemption in the fund may therefore be higher than otherwise. Investments in Fidelity Funds should be made on the basis of the current prospectus, a copy of which can be obtained from the Distributors. K&N Investitionsbank AG is the sole distributor of the Fidelity Funds Emerging Markets Fund in Germany. The Fidelity Funds Emerging Markets Fund is not covered by the Investor Compensation Scheme, nor will be any other company in Luxembourg. The UK Distributor of the Fidelity Funds is Fidelity Investments Limited, a member of the Fidelity Investments Group.

FINANCE AND THE FAMILY

whirl through the maze

From page VI

ments accompanying the issue of warrants should state which method to use but, if in doubt, we suggest readers write to the IT concerned.

There are two reasons why it has become fashionable for ITs to issue shares with warrants. 1. IT shares usually stand at a discount to net asset value.

2. The net asset value initially is less than the issue price. This is because of issue expenses, dealing costs, and any initial charge made by the IT (known as front-end loading). The warrant element helps to bridge the adverse gap that otherwise would be likely to occur.

BTR has confirmed that the alternative method, cost apportionment on disposal, should be used. This saves having to make a cost apportionment annually when further warrants are issued.

When any part of the holding (BTR shares or warrants) are sold, the investor should make the following calculation, using the market prices on the day of disposal:

A = Market value of shares or warrants sold
B = Market value of remaining holding (shares and warrants)

C = Cost of entire holding indexed to date of sale.
Cost apportionment:
Shares or warrants sold = A
(A+B) x C
Remainder of holding = B
(A+B) x C

"Free" shares
Readers have asked about loyalty bonus shares in privatisation issues, and about the free issue of 100 shares made by Abbey National - each account-holder when it went public.

Where there is a bonus, or where an investor chooses to receive a loyalty bonus rather than the vouchers offered in some issues, the value of the bonus shares received is treated as being the market value on the date they were issued.

British Gas, for example, offered one for 10 loyalty shares (a maximum of 500 shares) to subscribers who held their shares continuously from the first for sale in December 31 1989. The warrants were 234.5p apiece.

Had the alternative of vouchers instead of warrants, the value of these should be deducted from the original value of the holding.

With Abbey National, the acquisition was nil. So, the treatment for CGT is nil.

1. When a shareholder who has not bought any further shares in Abbey National 100, the value of the proceeds of the sale is a chargeable gain.

2. When a shareholder who has also bought Abbey stock sells all or part of his holding, the 100 "free" shares are added to the pool at nil cost.

3. Declaring losses
A reader asks: When carrying losses forward, is it necessary or mandatory to enter the brought-forward losses in your tax return for years in which the b/f losses are not used to offset against gains in that year?

To which the Inland Revenue replies: "You must keep records of losses you wish to carry forward to future tax years. Your tax office cannot agree your losses until you have made a gain from which the loss can be deducted."

Our advice is to show the total of losses brought forward each year - whether or not you are going to use them in that year - for two very good reasons.

First, doing so will help you keep track of them. Second, it will be easier to prove them to your tax office when the time comes to use them.

Transfers between husbands and wives
A number of readers are concerned that the Revenue might view transfers as avoidance of tax and refuse to accept them.

As we said in our last article (March 27/28): "The distinction between tax avoidance and tax planning is very fine." We would suggest the following guidelines:

1. Ensure that the ownership of the security is transferred legally.
2. Although the date of the transfer normally is taken as the date of signing of the stock transfer form, do not make the new share certificate in the name of the new owner, who will give the new share certificate to the broker, and will be paid the net proceeds of the sale.

3. Do not agree the eventual sale before the transfer is made.
4. The new owner should hold the security for as long as possible in order to show that the sole purpose of the transfer was not merely to avoid tax.

5. Rights issues - partial sale nil-paid
When a shareholder sells some rights nil-paid to help pay for taking up the rest, is the sale deemed to be a disposal? The 5 per cent rule, described in our third article, applies here (see Table 2).

Enhanced scrip dividends
Readers asked for a worked example of a shareholder accepting both an enhanced share alternative and the broker's offer to purchase the new shares at a fixed price, free of any commission or dealing costs, for cash settlement.

The calculation involves three share prices: the reference price (which is the average of the best bid and offer price over a specified period); the price on the first day of dealing; and the price offered by the broker (see Table 3).

Indexation - making your tax return
If your net chargeable gains amount to less than the annual exemption without indexation,

but your total proceeds from disposals in the year exceed the annual exemption, ignore indexation and put a note with your transaction details to tell the inspector why.

Valuing a dead person's estate
In our first article (March 5/6), we said that an estate is valued using the open-market value on the date of death (or, if that was not a working day, on the last day for which prices were published before death).

One reader has pointed out that this is not correct for unit trusts. For shares, however, the correct value is the lower of the value of the portfolio on the last working day before death and the value working day after death.

Transitional relief on indexation
In our second article (March 12/13), we discussed the proposed changes to the rules on indexation.

For disposals made after November 30 1983, indexation would be allowed only to the extent of a capital gain. It would no longer be possible to create or increase a loss by indexation. But modifications have now been made to the Finance Bill going through parliament.

Under the modifications, individuals and trustees would be allowed to use indexation to create or increase losses by up to £10,000 on disposals between November 30 1983 and April 5 1994 (see Table 3, Page VI).

This would encourage loss-taking and bed and breakfasting between now and April 5 and could save the higher-rate taxpayer up to £4,000 in CGT.

About the authors
Richard Chant is a tax partner in the Bristol firm of chartered accountants Solomon Hens. Alan Sugden is the co-author of *Investing Company Reports & Accounts*, Woodhead-Faulkner, 4th (revised) edition, £19.95 p/b.

They would like to thank Paul Tucker, a member of Solomon Hens's tax team, for all his detailed research and careful checking of these articles. Any errors that may have crept through remain the responsibility of the authors.

TABLE 1. WARRANTS ISSUED IN A "PACKAGE"
METHOD A - Cost Apportionment on issue. An Investment Trust issues shares and warrants in units of 5 shares plus 1 warrant, at a cost of £5.00 per unit. Let us say:
First market value of one share = 97p
First market value of one warrant = 25p
Thus First market value of one unit = 510p

Cost apportionment:
Share = 97p x (500/510) = 95.1p
Warrant = 25p x (500/510) = 24.5p
Unit = (95.1p x 5) + 24.5p = 500p

METHOD B - Cost Apportionment on disposal
An Investment Trust issues shares and warrants in units of 5 shares plus 1 warrant, at a cost of £5.00 per unit. Some time later he sells the warrants for £970 net.

Let us say that, on the date of sale, the market prices were:
Investment Trust share = 180p
Investment Trust warrant = 100p
Value of 5,000 shares = 5,000 x 180p = £9,000
Value of 1,000 warrants = 1,000 x 100p = £1,000
Value of 5,000 units = £10,000

Cost apportionment:
Shares = £5,000 x (9,000/10,000) = £4,500
Warrants = £5,000 x (1,000/10,000) = £500
Chargeable gain on sale of 1,000 warrants:
= £970 - (£500 indexed to date of sale)

TABLE 2. RIGHTS ISSUE - PARTIAL SALE NIL PAID
A company makes a 1 for 3 rights issue at 80p. Before the rights issue an investor held 30,000 shares, entitling him to subscribe for 10,000 new shares. He decides to sell 8,000 of his rights nil paid, to help pay for taking up the other 2,000, and does so at 14p, realising £1,084 net of expenses. He pays £1,600 to take up the remainder. On the first day of dealing ex-rights, the old shares stand at 94p. Is the sale deemed to be a disposal?

Let the proceeds of the sale of 8,000 rights = A = £1,084 and the value of his holding of the old shares that gave rise to the rights sold, ex-rights = B = 24,000 x 94p = £2,256

The proportion sold = $\frac{A}{B} = \frac{1,084}{2,256} = 4.8\%$
So, as this is less than 5%, the sale is not deemed to be a disposal. For CGT purposes, £1,084 is deducted from the cost of the original holding nil paid to the date of sale.

TABLE 3. ENHANCED SCRIP DIVIDENDS
The company declares a cash dividend of 10p per share, and offers shareholders the alternative of an enhanced scrip dividend of 15p per share. There is also an offer by the broker to buy the new shares. A shareholder who has a holding of 1,000 shares, with an indexed cost of 2948, decides to take the enhanced scrip dividend and accept the broker's offer to buy his new shares.

The reference price (the average of the best bid and offer prices over a specified period) is 150p, the price on the first day of dealing is 152p, and the broker's offer is 148p.

Shares received = 1,000 x $\frac{15p}{150p} = 100$ shares
Income tax is based on the first day of dealing price: Net income (grossed as 20% tax paid) = 100 x 152p = £152
Gross income = £152 x 100/80 = £190
Income tax payable will depend on the shareholder's marginal rate: Basic (25%) and lower rate (20%) taxpayers have no further liability to tax. Nil rate taxpayers will not be entitled to reclaim 20%, as the company has paid no AGT on the enhanced scrip dividend. Higher rate (40%) taxpayers will be liable to an income tax payment of (40% - 20%) x £190 = £38.

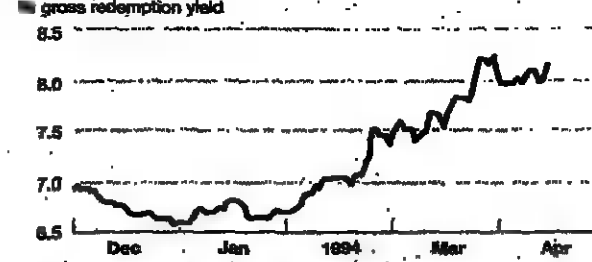
Capital gains tax. The value of the 100 new shares is added to the indexed cost of the 1,000 shares already held, to make a total of 1,100 shares with a total cost of 2948 + £152 = £3,100. The cost apportioned to the 100 shares sold is £310. The new shares were sold for £148, so the chargeable gain is £48.

Fractional shares. Had there been a fractional entitlement, it would have been paid as a cash dividend at the cash dividend rate of 10p per share, e.g. had our shareholder held 1,005 shares, a cash dividend of 10p per share would have been paid to him, i.e. a cash dividend of 10p x 5 shares = 50p.

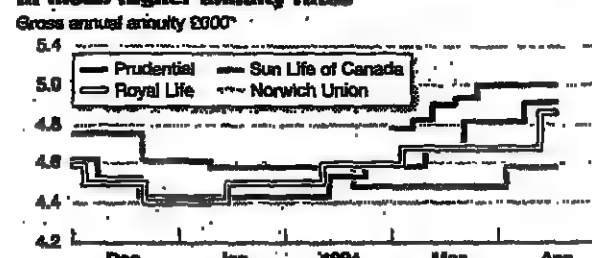
Boost for annuities

Higher gilt yields...

gross redemption yield



mean higher annuity rates



*Personal pension level annuity for male aged 60, monthly in arrears, guaranteed 5 years with a purchase price of £50,000. Source: The Annuity Bureau

This year's dive in the UK gilt market - about a 10 per cent drop in the price of 30-year stocks since January 1 - might have given investors a rough ride, but those about to retire could benefit. For sliding bond prices mean a rise in yields. And, when yields rise, so do annuity rates.

The present trend of the high coupon, gross redemption yield of 15-year gilts virtually forecasts how annuity rates will move over the following few days. Annuity rates determine the income received by buyers when they retire.

Life companies generally set their annuity rates in line with existing yields of long-dated government stock. But life expectancy rates also matter. Norwich Union, among others, announced new rates in January as a result of revising its life expectancy tables. Interestingly, the changes were not all one way.

So, where does this leave the investor with a pension fund to cash in? First, consider if you need an income now or can afford to delay buying an annuity. If you see a low growth, low inflation environ-

ment continuing indefinitely, you could feel that now's as good a time as any to buy your annuity.

You might, however, feel that the government could be forced to crank up the inflation - and, therefore, annuity rates. You will, of course, hedge your bets by considering phased retirement so that you buy your annuities over a period of time.

Second, you should shop around, using your open market option. This allows you to select the best annuity offer, even if it is not from the life office running your fund.

At any one time, there can be as much as a 25 per cent difference between the rates of different providers, which means substantial savings over the period of your retirement if you choose the right one.

That different products suit different investors. Annuities can be tax-efficient to use your tax-free lump sum to buy a life annuity.

Peter Quinton, The Annuity Bureau

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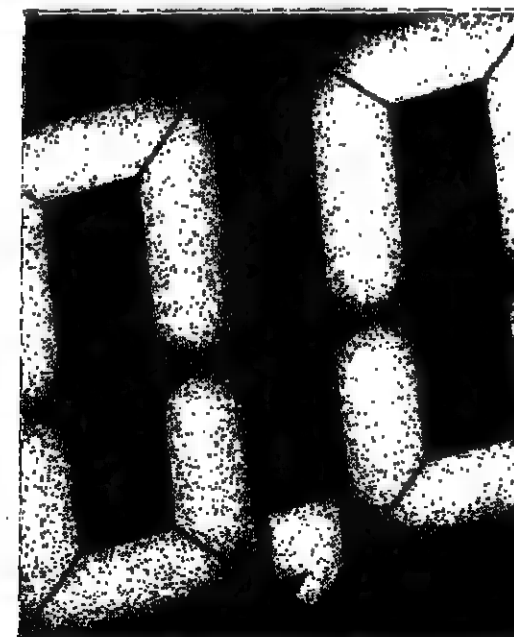
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A HISTORY OF FORWARD THINKING

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PERSPECTIVES

Lunch with the FT

A chef out of his kitchen

Michael Thompson-Noel meets Marco Pierre White, part cherub, part volcano. But no one is assassinated and there are only three flickers of temper

Marco Pierre White, the best-known, lauded of all English chefs - still only 32, born in Leeds, half-Italian, beefy, tousle-haired, and tempestuous: able to pass, in an eye-blink, from cherub to volcanic. Or so the folklore says. By accident or design, my guest has attracted some of the most enviable publicity in the history of cooking.

The words used to describe him pop up all the time. *Volatile. Flamboyant. Firebrand. Enfant terrible. Profane genius. Wild man. Wild child. Sulphurous. Rudest chef in London. The Apollo of the Aga.* There have been wives, mistresses, children, dust-ups and bust-ups.

Then the news, the image that has made him one of danger, decadence and theatricality. That is not bad going for a celebrity-chef, though the *decadence* has been exaggerated. White says he has never been involved in criminal activities, and that five years ago he gave up "smoking, gambling and marriage".

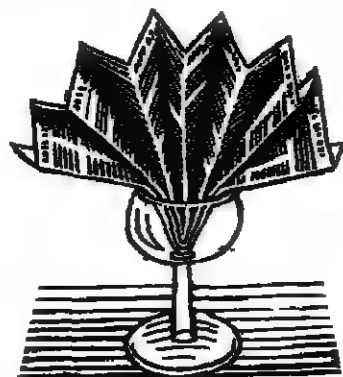
There are those who must imagine that in one of Marco White's restaurants is a scene of a good deal of being grabbed by the chef-proprietor and flung from the street for some imagined slight or lapse in table manners. But when I asked him how many restaurants in the whole of his career, this

answer was only two. We are sitting in one of White's restaurants, The Canteen at London's (Victoria) Harbour, which has its own chef and one Michelin star. White owns a one-third stake. Another co-owner is actor Michael Caine. White's other establishment is The Restaurant at Fort Belvedere, London, where he has two Michelin stars. He is his first Michelin star at the age of 32, his second at 37 - the youngest British two-star chef.

Our lunch was going well. No one had been assassinated, apart from (absent) rivals. There had been comedy to start with. Neither of us realised that the other had arrived. White had gone to the bar, I to the table. At 1.40pm the manager asked if I would like a newspaper to read, to help pass the time. Three minutes later the mistake was realised, and White and I shook hands.

He looked concussed with anger. But no one was to blame, and he was soon transferring food from his plate to mine. A large part of White's charm derives from his candour. His working-class Yorkshire childhood has just been his own. I asked him about his physicality and physicality from.

He said: "I have to break everything I eat. I just *eat* it. I've always done. Maybe it's a positive or maybe it's a negative, or



maybe it's related to my need to progress professionally. Originally my aggression could be attributed to a lack of social skills - and shyness.

"Am I an asshole? Some people say so. Some people rubbish me and my work, but who are these people? You don't get two Michelin stars if you are only an asshole. There is more to it than that. Here is an example. One of the things I believe in in my restaurants is value for money - affordable, Michelin-class food. Here in The Canteen, all starters are £2.50 and all mains £10.50. People can afford that. That's why The Canteen turns over £70,000 a week.

"I want to achieve that sort of value for money at The Restaurant. It's too easy to rip the customers off. A lot of that goes on. The way

I'll make my money is in the long run. The last thing I'm ever going to do is jeopardise what I've got already.

White trained with the best chefs in Britain - above all, with Albert Roux, former mastermind at Le Gavroche, the first London restaurant to win three Michelin stars. "I am an offspring of all the great [English-based] chefs," says White, naming others who guided him.

"I was lucky. I appeared at the right time. I worked long hours, won my first Michelin star, attracted a few stars - suddenly I became Marco Pierre White. But as a cook gets older his cooking gets simpler, and as I get older I have become more of a recluse. I spend a lot more time in my restaurants than I used to. I don't remember the last time I went to a nightclub, a dinner party or an event. I only deal now with a few old friends in the profession. I have my girlfriend, my two children - and fishing."

Fishing looms large in a conversation with White. He hunts down macho fish: pike, bream, grayling, tench and trout. He says his best pike weighed 32lb. A monster. Did he cook it? Not for the first time, a guileless little question produced contradictory answers from the master-chef. "Nah," he said. "I never kill the fish. I couldn't kill anything. I love nature too much - bird-watching, everything."

Later, however, he said he liked

shooting. "The sort of customers I get, some of them invite me to shoot. I love it. I used to be a poacher. That was my first job. I went shooting on a private estate not long ago and this huge cock pheasant came strutting along the ground. It would get up. It would not fly. So I blasted it on the ground."

One of White's attractions is his hatred of taxi-drivers. I told him that I shared it. "They're fascists," I said, "completely rotten people, the same old world over."

"Yah," agreed White. "You've got it. Fascists. I don't own a flashy car. Don't actually own a car 'cause I don't even drive. But my girlfriend's got an off-roader, the biggest you can buy, which I'm fitting out with bumper-guards and really major spotlights in case any taxi-drivers want to take us on."

During lunch, White showed a flicker of temperament on only three occasions. He was irritated that the butter on our fish was softer than it should have been, but said nothing. However, he told a waiter to go and tell someone in the kitchen to stop banging - "I did not come here today to listen to his noise" - and remonstrated with another waiter for serving me milk with my coffee.

"He asked for black coffee," White told the waiter, "but if you're going to give him milk, make sure it's hot. Cold milk kills the flavour." The



Marco Pierre White people see the Italian side and forget the Yorkshire

waiter rushed away. White said to me: "Now he's going frantic. But he thinks I'm an asshole." On the strength of a single lunch, I formed the impression that Marco White is a lot cleverer than widely realised. I suspect that people see his Italian side, the charisma and machismo, and forget the Yorkshire half - gall, grit, gumption. At 3.30, I said I would pay the bill, giving him a chance to read the six-page fax that a waiter had handed him. "Nah," said White. "Forget it." "I'm supposed to pay," I said.

"That's the idea. We choose the guest. The guest chooses the restaurant. We pay the bill." "Nah," growled White. "OK," I said. "The food was great. No doubt I'll return in my own capacity. Then I can pay for myself." "Yeah," said the big man. "In your own capacity. That's the bill you slip through the FT." The thought had never occurred to me. "There you go," he said, laughing loudly. "You've found the real Marco White."

Despatches

The system takes the blame, not the whites

Patti Waldmeir asks an ANC youth leader to explain the extraordinary inter-racial goodwill in South Africa

So, I ask, getting straight to the point, why don't you hate whites? I am from Detroit, and have experienced more racial hatred in five minutes in my home town than in five years in South Africa.

Every white visitor to South Africa is struck by the extraordinary inter-racial goodwill which has defied the logic of the apartheid system. How is it possible to invoke the notion of justice in this context, after decades in which institutionalised injustice has been the rule of the whites. But Patti Waldmeir has forewarned the white options of the ANC - his goal - and that of his political movement in the ANC - is reconciliation.

"The conflict in our country is not a particular fighting against another but it's a particular system which is the problem. Our problem has not been whites per se. Our problem has been the system which has privileged whites or has co-opted them to be the culprits of apartheid."

"If we blame all whites, what about the blacks who have been involved in the system of our people? There are black people who have in fact been the victims of apartheid."

Cynics would say that the ANC is doing no more than parrot the ANC's long-held policy of non-racialism, its colour-blind blueprint for the new South Africa.

But cynics would miss the point, which is that Semoka clearly believes what he says: it is there in the body language, in the earnestness of his gestures, in the extraordinary generosity of spirit which I have experienced from black South Africans, again and again, in township after township, throughout the past five years.

"We are saying that apartheid has destroyed, let us forget the past and begin to build anew. To minimise conflict and misunderstanding we need to come together... hence emphasis was made on the government of national unity."

In that government, to be elected within days and scheduled to rule until 1996, the ministers from the National Party, the party of apartheid, will share power with the ANC (and others, if they gain at least 10 per cent of the national vote). The agreement to share

power with whites was the crucial compromise which finally persuaded the National Party to end apartheid, and Semoka wholeheartedly supports it.

A chairperson of the ANC youth league in Kaitshong (the title "chairman" is taboo, even for males), he is scarcely likely to deviate from the party line, which is that sharing is necessary to build national unity.

"Decisions will have to be reached by consensus and the National Party must be part of that consensus," he says. But Semoka is a man whose definition of consensus is according to context, and in the context of a large ANC electoral majority, it is likely to mean little.

He is already preparing for that day: the National Party will have to be in the new government, he says. "But they must be the government of national unity (ie Nelson Mandela) and we must be there to do."

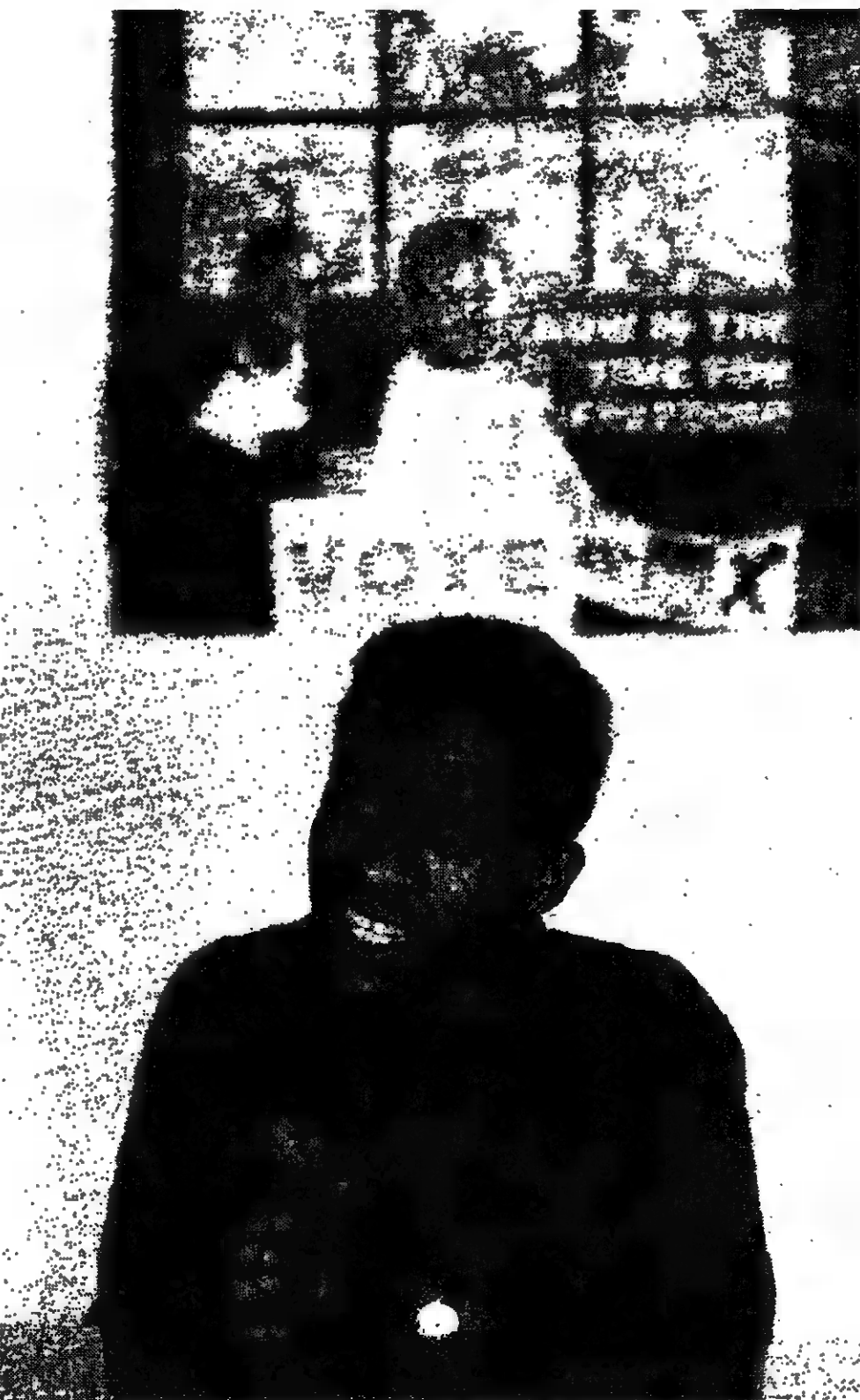
Indeed, Semoka suggests that the National Party is being included in the government to allow it to make up for the wrongs committed under apartheid. "They must assist us in solving all our problems. We will say, you have damaged this, repair it, because you are the ones."

He is quick to fix the problems of the past: indeed, in spite of all the warnings from political commentators about the impossibly high expectations of black South Africans, my experience in the townships has been that the ANC is not going to have development priorities set by Pretoria, even when the ANC is in charge there. The Kaitshong community will determine its own priorities - and the ANC government must listen.

With any luck, the strength of community organisations such as the ANC youth league in Kaitshong will provide a powerful mechanism of power by central government, and help to guarantee that South Africa's future is democratic.

For local organisations like these can take the real credit for ending apartheid - the more than Umkhonto we Sizwe (the nation's) ANC's input military wing, or international strategies of sabotage.

By mobilising people around their daily needs - for housing, lack of services, education - local civic and community groups are making the country's black townships ungovernable.



Semoka Sedibe: the National Party will be allowed to make up for wrongs committed under apartheid

and waiting for the ANC to come to power. Throughout our struggle, we have fought gallantly to bring about the end of apartheid. Unfortunately, ungovernability seems to be surviving beyond apartheid, whether more so than in the three-township complex of Kaitshong-Thokoz-Vosloorus which is Semoka's home. For the indulgence of the township residents, the ANC has been seen to be in charge there. The Kaitshong community will determine its own priorities - and the ANC government must listen.

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The Nature of Things

Mix 'n' match for new drugs

Where will the drugs of the 21st century come from? Biotechnology might make you assume that the swift progress of genetic engineering is going to cure many ills. But the source of most of today's medicines, the long 19th and 20th century tradition of organic chemistry, is set to produce pharmaceutical breakthroughs for the foreseeable future.

The latest technique, combinatorial chemistry, will produce previously unimaginable diversity of chemical structures, and in nature, the potential for new drugs.

Although pharmaceutical research is going to "rational drug design", most new drugs originate in the traditional hit-or-miss process of "screening" as many thousands as possible for pharmacological activity. Some synthetic compounds which industry buys in from universities, and some from nature, are potential drugs.

Others are naturally occurring chemicals extracted from plants or micro-organisms. (The latter often come from soil samples which researchers collect on holiday. For example, the drug used to prevent transplant patients rejecting their new organs, cyclosporine, was first isolated from a fungus growing in a mountainous region of Norway and Japan respectively.)

As well as screening random compounds, drug companies are now screening for compounds which are variants of existing medicines, the idea being that they will be more powerful pharmacological activity and/or fewer side-effects.

Even the largest companies can screen more than 100,000 new compounds a year, using computerised systems. The number of potential compounds that might lead to a useful drug is virtually limitless.

Combinatorial chemistry will produce screening of a million compounds, or even millions, in less time than it takes to make up a single compound. They will be able to make billions of new chemical structures. Although only a tiny fraction of these will show any pharmacological effects, the sheer volume of activity is bound to lead to new drugs.

Indeed combinatorial chemistry, or molecular diversity, as the technology is known - may turn out to be the most important new approach in organic chemistry for many years. It has, however, received little attention beyond a relatively narrow circle of pharmaceutical researchers, partly because few chemists have an ability to communicate with the outside world.

Combinatorial chemistry represents something of a break from the traditional philosophy of chemical synthesis, which is based on producing a single pure compound in sufficient quantity - at least a milligram - for testing and analysis.

The new idea, in contrast, is to produce simultaneously the possible variety of compounds in amounts measured in nanograms (millionths of a milligram). That is just enough to screen for biological activity - for example with sensitive modern techniques.

The challenge is not so much how to make a mixture of millions of compounds as how to "label" each compound unambiguously. Then, if it gives positive test results, it can be identified and synthesised in much larger quantities for further investigation and refinement.

Combinatorial chemists have invented several different methods for achieving this. A favourite way is to attach the new compounds chemically to the surface of microscopic plastic beads (which are similar in size to animal cells and can be manipulated with the instruments used in cell biology). In bulk, they look like talcum powder. Separately, inert chemical "tagging molecules" are linked to the beads, to record the series of reactions each bead has undergone.

The tags are designed to be removed and decoded easily with standard laboratory instruments. For example, Affymax of Palo Alto, California - a leader in the new wave of start-up companies specialising in combinatorial chemistry - builds up short-tagging chains of nucleotides, the building blocks of DNA. Pharmacia, in Princeton, New Jersey, labels its beads with simple molecules containing fluorine and/or chlorine.

The combinatorial process starts by dividing the microscopic beads between a number of flasks - say, 20. Each undergoes a different chemical reaction, in which the first molecular building blocks and tags are attached. Then the beads are mixed back together and divided again into 20 vessels to undergo a second set of reactions and tagging.

By the time the process has been carried out five times, there are 20 x 20 x 20 x 20 x 20 different chemical combinations on the beads. That makes 3.2m new compounds, each with distinctive tags showing which reactions it has undergone.

The reactions chosen will depend on what sort of "chemical library" the researchers want to create. Early work has concentrated on a relatively simple combinatorial project: building up compounds from different combinations of 20 naturally occurring amino acids. Chemists are now designing combinatorial reaction schemes for other chemical families, including the types of small molecule that are the mainstay of the pharmaceutical industry.

One sign of excitement is the flow of American venture capital into small companies specialising in combinatorial chemistry. The large, established pharmaceutical companies are also starting to exploit the technology.

Although combinatorial chemistry is already beginning to boost chemists' confidence, it is too soon for it to have produced any proven drugs. However, by generating billions of new compounds over the next few years, the technology will undoubtedly throw up useful medicines that would never have emerged through traditional screening or biotechnology.

Clive Cookson looks at how chemicals are being combined

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FOOD AND DRINK

Drinking at a first-growth chateau can be a little limited - all that dry red. No wonder then that more of Bordeaux's superstars are venturing into white wine territory.

Pavillon Blanc de Chateau Margaux was followed by Chateau d'Arenberg's white (the second vintage, 1993, much less silky than the first) and now Mouton-Rothschild announces a close working relationship with the Sauvignon Blanc of the Chateau d'Arenberg. Not to be outdone, Chateau Latour has launched its own dry white, Blanc de Pavillon 1992, yours for £27.50 from Farr Vintners in London (071-828-1960). Those who cook with Sauvignon Blanc should be thrilled by the chance to experiment with dishes that go with something other than claret.

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An historical story from South Africa was the famous Con-

A venture into white

Appetisers

stantia wine which was loved by just about everyone before the vineyards were wiped out by phylloxera at the end of the 19th century.

For the best part of a century the vines of Constantia were lost, but in 1881 Klein Constantia replanted Muscadelle vines with the intention of recreating the famous wine. The first new vintage was made in 1933. The current, 1989, is the fourth.

You might be put off by the pseudo-18th century 500ml bottles, but the wine inside is superb; a rather delicate brew considering it is 15 or so degrees with a lasting peach flavour.

Klein Constantia's "vin de Constantia" is available from Avey's in Bristol (tel: 0272-214141).

The price is £11.95 a bottle, £11.95 a case.

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For top quality Sauvignon Blanc, an obvious - if apparently expensive - candidate is Mulderbosch Sauvignon Blanc from South Africa. At £86 a case from John Armit Wines of London W11 0JH (021-224-4444) it is first-class - full-bodied, serious, and intriguingly - but certainly not offensively - aromatic.

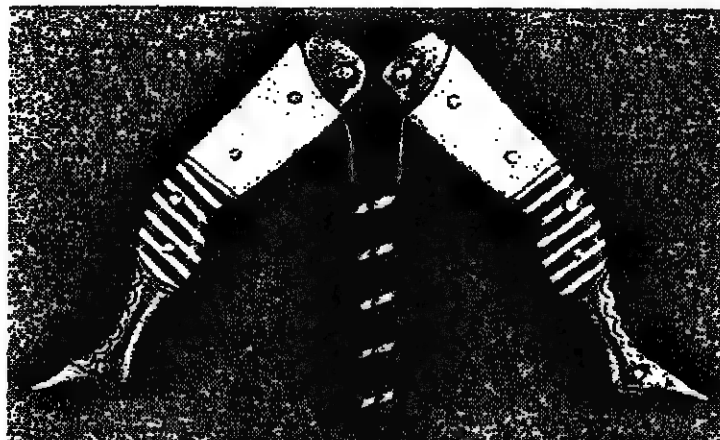
Perfectly acceptable is the Hungarian Sauvignon Blanc 1993 that is £2.99 at Safeway.

£3.49 and this is the best vintage to date. Marks & Spencer has another lively example at £3.49 under the defiantly non-ethnic Deer Valley label.

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Good news for diners from four of London's top hotels. The Canisier at Claridge's has introduced a two-course dinner menu for £12 per person, including VAT. A main course can be taken from the Smörgåsbord or the hot dish of the day and followed by pudding or cheese. For reservations phone 071-629-8860.

At The Dorchester there is a new menu in the Grill Room. A three-course lunch menu is £23.50 including VAT, and a four-course lunch menu is £28.50 including VAT.



A 19th-century pocket corkscrew. Estimate £150-£200

will be concentrating on British food. From May 1, The Terrace will be serving a £35 dine and dance lunch menu on Friday and Saturday nights. Ring 071-828-1960.

The Ritz, too, is offering Friday and Saturday night dinner and dancing, to big band sounds of the 1920s, 1930s and 1940s, from £33 a head. It is also introducing a light lunch menu at the Palm Court. Lunch starts at £12 per person and a glass of wine will be included in the lunch price. Tel: 071-828-1960.

The Connaught is opening its Grill Room for dinner only on Saturdays and Sundays. In addition to the à la carte menu a table d'hôte will be served at £35 a head plus 15 per cent service but including VAT. Tel: 071-828-1960.

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More than 1,000 corkscrews from a single owner are to be auctioned at Christie's South Kensington, London, on May 10 at 2pm. Collected over 30 years by Gianni Gachin, who died last year, the collection traces the history of the corkscrew from the mid-18th century to the present day. Oldest in the collection is a mid-18th century pocket folding corkscrew with a seal bearing an effigy of Queen Anne.

The first English corkscrew ever patented, in 1796, designed by a London clergyman called Samuel Henshall, is expected to fetch between £400 and £500. Viewing starts on May 3 at 10am. Tel: 071-821-3120/3121/3122 or fax 071-581-3679.

Please take a seat there, sir



Andrew Sachs as Manuel the waiter in TV's Fawlty Towers, showing why he needs help

Restaurant groups including the Catering Group, the Hospitality Group, the Inquest Group, the TV's Food & Drink Group, and the TV's Food & Drink Group, have made training a priority for their clients.

Prospective clients are, naturally, attracted by the concept of training but invariably say they have no money. Scher has gone straight to one of the 80 government-funded Training and Enterprise Councils - its programme "Investors in People" is aimed at improving the skills of the British workforce - and has now become the biggest source of government training funds to companies in the catering industry.

This allows for an initial, free, diagnosis to take place which can last from one day for a small restaurant, to three months in the case of a contract caterer. Then, if the person's fit, an action plan follows. This may begin with a training session in Scher's offices but usually takes place in the restaurant. An integral aspect is "training the trainer", when a member of the restaurant's staff is chosen to ensure standards are maintained.

But Scher has also changed its clients' - and my own - perception of the importance of training. Invariably, the catering industry is described as a service industry, a phrase with which Scher and Wick have little truck. Today, according to Scher, those who look after customers in restaurants, hotel lobbies or across the counter of a wine bar are in a sales industry.

It is at this stage that Scher and Wick's non-catering background has proved most effective.

Nicholas Lander on the training of restaurant and hotel staff

When still in his 20s, Scher was general manager of a 400-bedroom Sheraton hotel in Arizona and Wick was winning a Queen's Award for Export manufacturing professional audio equipment.

This commercial experience has left them with no qualms about suggesting to one restaurateur that a small mirror be fixed to the cash register to ensure the cashier always smiles when presenting the bill, and to taking the entire management of a restaurant group around the studios of

the TV news station. In fact, the value of communication is what

Perhaps, the biggest compliment to Scher's approach is the involvement with the Aroma group of cafes, started by Michael Zur-Spino, a former management consultant with the London Consultancy Group.

There are now 14 Aroma in central London employing more than 100 staff selling sandwiches, cakes and pastries. Customers call in spontaneously and are not well treated, but are just as promptly.

To ensure that they do not, Scher has devised a training checklist that is pinned behind every door in each cafe. Against an employee's name is a series of training modules which incorporate how a customer should be welcomed, how hygiene and customer care procedures. Each employee is assessed regularly through the checklist and there are plans to attach incentives to reward best performance.

Scher is aware that, apart from their own expertise and enthusiasm for the restaurant business, a key factor in their growth is the fact that many

have considered the restaurant business a "Cinderella industry" - one to dabble in but not take too seriously.

The restaurant has changed that - as it has changed the nature of the industry. In the UK today, there are fewer individual restaurants but more restaurant groups, each with an annual turnover between £2m and £10m. These are able, in a way a single chef/proprietor is not, to open seven days a week, to implement changes required under the Food Act and, crucially, to hold down menu prices.

But, like others in the retailing industry, these businesses are continually looking to maximise sales, to retain regular customers and to train new staff without increasing the cost of head office.

Scher's approach to the training of waiting staff enables restaurants to achieve many of these objectives. And, as it improves restaurant service, it might eventually lead to a more relaxed attitude towards the industry. Tel: 071-404-7711, fax 071-404-8144.

Time to think of England

Today is St George's Day, when English patriots wear red roses in their button-holes and those who relish free food, and fungi in particular, scour grassy verges, hedgerows and bosky borders in search of *Tricholoma gambosum*.

Known commonly as *mousseron* in France, and St George's mushroom in England, this pale fungus with its strong, musky smell and taste is supposed to be available by now - although sometimes you have to wait another week or two to bank on finding it.

When you get your pickings home, wash them in butter, season them with lemon and pepper and bathe them in reduced cream. Serve them on fluted rounds of toast, or use them in a rich sauce (more vegetable than chicken) for pasta or to partner grilled chicken.

With any luck, this weekend could also see the first of the season's really tasty, outdoor-grown Jersey Royal potatoes (rather than those grown under glass, highly-priced and low in flavour).

If you get them, I shall simply rub the Jersey Royals clean, boil or steam them, and serve them with a celebratory rack or two of succulent Kentish lamb or hot

boiled ham cooked on the bone. I must be a proper, meaty man, with a decent covering of fat into which a smear of mustard and toasted breadcrumbs can be pressed after cooking.

A creamily-delicate parsley sauce (laced with a few capers, if you like) would go well with the ham. With the lamb, I might prefer red currant jelly, with a spoonful or two of chopped fresh mint stirred in and left to set again.

Tomorrow, the menu will be served with one of my favourite potato salads. Slice a bulb of Florentine potatoes thinly and soak them in lemon juice and olive oil.

Just before serving, add plenty of hot, freshly-boiled thick-cut slices of potato (Jersey Royal, La Charlotte, BF 15 or Pink Fir Apple, according to season), some whole black olives, and a green snowstorm of snipped chives. Toss gently to mix and serve while the potatoes are still warm.

After the Jerseys, it will not be long before delicious, home-grown fresh asparagus comes on stream. Fat bunches - served with unstinting quantities of melted butter and a

sprinkling of Parmigiano-Reggiano, or olive oil and lemon, or Hollandaise sauce - make a luxurious and ultra-simple main course.

More affordable, and still celebratory, is the lesser-known trick of teaming Jersey Royals with Jersey Royals to make a gratin.

PARMIGIANO AND POTATO GRATIN
This can make a lunch dish for three people, a first course for four or an accompaniment to lamb, veal, chicken or poached salmon, when it will serve up to six. The asparagus can be increased to 1lb and the potatoes reduced to ½ lb.

Ingredients: ½ lb fresh asparagus; ½ lb Jersey Royal potatoes; ½ lb butter plus extra to grease the dish; 1 x 200 g (7 fl oz) tub of crème fraîche; 1 egg yolk; ½ oz freshly grated Parmigiano-Reggiano; ½ tsp each sugar and paprika; generous 1½ oz ciabatta breadcrumbs. Wash and trim the asparagus, scraping the stalks if tough-skinned. Save the woody bases for the stock pot. Cut the rest of the asparagus obliquely into 1½ in lengths and reserve the tender tips separately from the stalks.

Rinse and rub the potatoes clean with your fingers but do not peel them. Cut them into chunks, slice very thickly or

leave whole, depending on size. Drop the potatoes into a pan of fast-boiling salted water and cook for about 10 minutes.

Steam the asparagus over the potatoes - about eight minutes for the stalks and four for the tender tips should cook them through, yet retain a hint of crunch. Allow longer, or less, for very well-cooked or crisp results.

While the vegetables are cooking, melt the butter in a small frying pan. Add the crumbs and stir continuously over low heat until coloured and crisp. Beat the egg yolk with the sugar, paprika and a good seasoning of salt and black pepper. Mix in the crème fraîche and about two-thirds of the crumbs.

Butter a gratin dish generously. Spread about half the cooked and mixed vegetables across the base of the dish and spoon half the sauce over them. Cover with the remaining vegetables, then the rest of the sauce.

Sprinkle evenly with Parmesan, then the reserved crumbs. Cover the dish with a dome of foil, and bake through on a pre-heated heating sheet at 425°F/220°C (gas mark 7) for 10-12 minutes. Remove the foil and cook for two-three minutes more to crisp the top.

Philipa Davenport

FT writers shortlisted

Three Weekend FT food and drink writers were shortlisted in the Glenfiddich Awards this week at the Savoy Hotel, London. They were restaurant writer

Nicholas Lander, drinks writer Giles MacDonald and wine writer Edmund Penning Rowell for his monumental book *Chateau-Lafite: The History of a Great Vineyard* (£145, Seagrove Books).

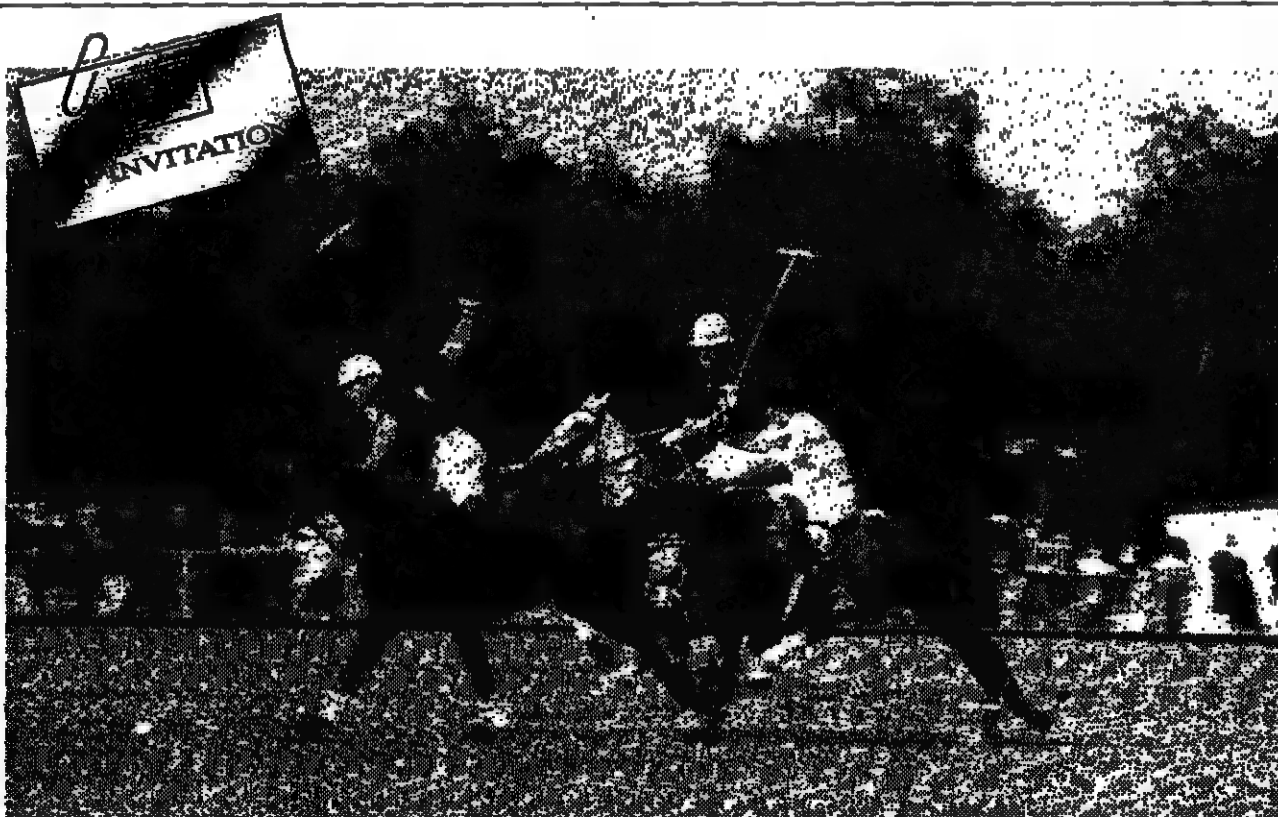
The Glenfiddich trophy was won by Michael Jackson for his book *Beer Companion* (Mitchell Beazley £18.99). This year the judging panel comprised: Marguerite Patten, cookery writer and presenter; Shaun Hill, chef and columnist; Joanna Simon, wine writer, author and editor; and Mark Steyn, critic, writer and broadcaster. The chairman of the panel was David Grant,

director of William Grant & Sons. The awards recognise excellence in writing, publishing and broadcasting on the subjects of food and drink.

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Winner of the 1993 award for best book with black truffle sauce is just one of the dishes being prepared at the Langham Hilton during its Californian promotion (May 6-May 15). Executive chef Anthony Marshall will be joined by Thomas Oden from Jordan Vineyard and Winery, California.

Jill James



THE JAL CUP POLO DAY WITH THE FINANCIAL TIMES

The FT invites its readers to a day of polo hosted by Japan Airlines, on Sunday, 12th June at The Guards Polo Club, Windsor Great Park.

Spend the day watching bumps, hooks, neckshots and backshots, while picnicking in the Park's beautiful grounds. In the first match watch the teams compete in The Royal Horse Guards Cup. In the second, for The JAL Cup, enjoy a feast of world class polo, particularly as it is tipped to be the highest goal match of the season.

After the victors receive their trophies, you too may be a winner. Japan Airlines has donated three pairs of Executive Class airline tickets to Tokyo for a prize draw which all spectators are eligible to enter. To round off the day's event you will be invited to join Japan Airlines in their marquee for evening cocktails.

The Financial Times has arranged Grandstand tickets at the exclusive price of £10 each. Tickets are limited, so should you wish to spend a summer afternoon at Smith's Lawn watching polo, please complete the coupon opposite.

SUNDAY 12TH JUNE 1994

11.00am GATES OPEN
3.00pm THE ROYAL HORSE GUARDS CUP
The Royal Windsor Team v The Polo Club
Trophy Presentation
5.00pm THE JAL CUP
South America
The Rest of the World
Trophy Presentation
Prize Draw
6.30pm COCKTAILS IN THE JAL MARQUEE

Tickets are subject to availability. Offer closes on Friday 20th May 1994. Addresses supplied by readers in response to this invitation will be retained by the Financial Times, which is registered under the Data Protection Act 1984.

THE JAL CUP POLO DAY

To: Louise Gordon-Foxwell, Financial Times, Southwark Bridge, London, SE1 9FL.
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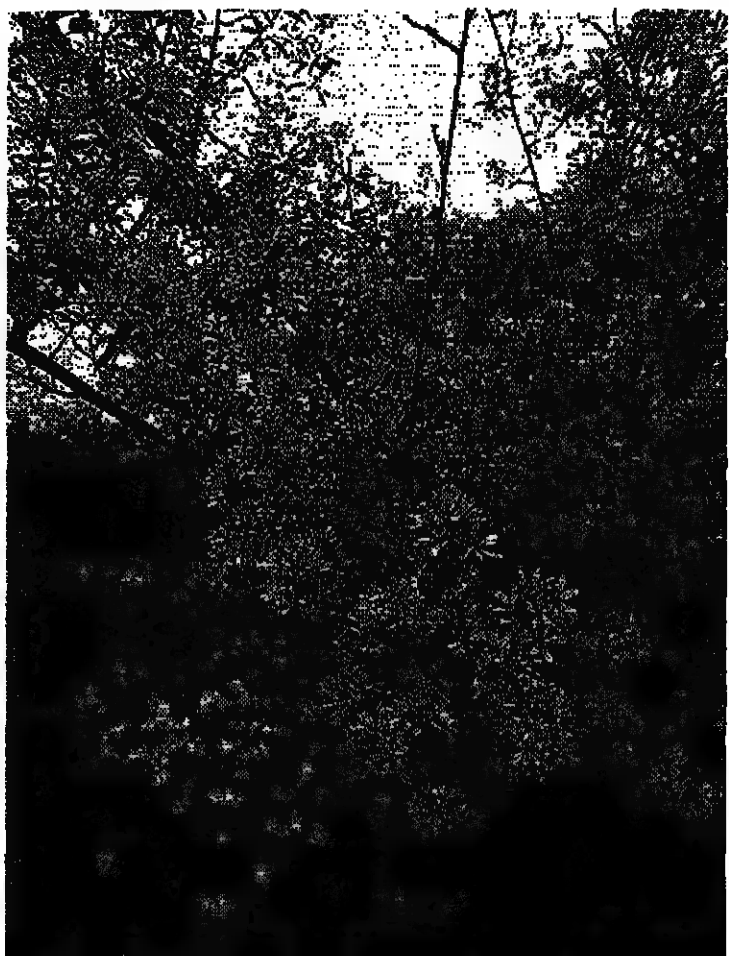
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GARDENING / OUTDOORS

Jump on the spring bandwagon



Amelanchier Canadensis this week in Sussex

David Chulow

When gardeners start out, they think naturally of summer. They pile on the roses, the mid-summer borders, and their defenses against a dull July. The summer initiative is, and, in time, it is a new opening: has anyone ever pre-planned a serious garden by mapping it in advance? I doubt it, because it develops a framework of five years built on the corpses of 100 failures.

After five years on my new site, I am now spring-mad and I worry about plantings that will continue beyond August. I have relearned an old lesson: good gardens are not a two-month wonder. They extend from February to early November, with an artful emphasis on their early months.

Why did I start short-sightedly? I began with flower beds and evergreen but I forgot to thicken outlying boundaries with enough forms of early prunus, winter-flowering cherry, early alums, upright unedo and others. I planted them which now detest my soil, but the winter-flowering shrubs should have been in first.

This time, to limit my job, I told myself some of the wrong things

I started out: that I would leave the flowering cherries to subside; that I would cut spring bedding; that magnolias would never flourish on my lime soil; and that spring-flowering border plants were better to write about than to grow. I planted evergreen hedges, so that the yew could develop brown. I even left the bulbs until last.

Now I see my mistake. In the early years, you seldom visit other gardens: you are too busy taming your own. Only now can I see what others have made from the same season.

I envy older gardens their grand old trees at this time of year. I defer to the magnolias in the Hillier Arboretum, the camellias in Richmond's Isabella plantation, or the white-flowered Amelanchiers which Rudyard Kipling must have planted at Batemans, the National Trust property in East Sussex near Tunbridge Wells, where they ought still to be at their best.

I have given them five years' start by not planting spring-flowering trees as soon as I began. I now think that they are as essential to a sense of place as evergreen which we urge you to put in first. But I am now how great plants which with the weakness of Britain's

early spring by casual under-planting and how they have two ways of coping with bulbs.

The under-planting has not exactly passed me by. We now grow wallflowers among the summer borders and discard them after flowering. A few blocks go a long way and, in smaller beds, I now resort to the best of all forget-me-nots - the small, dark form called Indigo.

Robin Lane Fox
why good gardens are more than a two-month wonder

It is further. In a great garden such as Sissinghurst, Kent, you can see the impact of early-flowering plants, grown in groups or occasional isolation among the surrounding evergreens of spring. Sissinghurst is looking enviable in spite of cold, wet weather.

In the White Garden, there is a white-flowered wallflower for colour now, and there are groups of the easy, pale pink primula Guinevere, taking up no space but making

most of the impact in the main July beds. It takes only a host or two of the bright pink primula Tenebris to enliven an entire section, while someone has had the bright idea of growing a few sprigs of white primula Cistena in the garden's front courtyard.

I am still waiting for forget-me-nots, but these established gardens have used enough early perennials casually among their framework to double their season of interest. Beginners should remember to do the same.

When I started, I decided also to leave bulbs until last. After all, why plant tulips and daffodils when you may decide to dig up their ground and change it?

For the first time, I was ready to move forward last autumn and I added blocks of narcissi in time for this wonderful year for the family. This spring, almost every form has been wonderful, but my top five for naturalisation are those with pale flowers - Geranium, Ice Follies, Barret Browning, Winston Churchill - and the later so-called Phaeasant's Eye.

They look fine but, by the way, I realise that I have actually lost important ground.

What I always knew, and now remember, is that the best shows of

bulbs are colonies, not garrisons. In our great gardens, the best displays were not planted by the thousand. They were introduced gently, given time to know each other, and then allowed to run wild when they decided they were friends.

These colonies take time to spread and develop, but it is vastly better to buy a few small groups of bulbs which know how to seed themselves, and start them off manageably as soon as you begin a new garden or gardening phase. The big blocks can be introduced as occupying forces at any later time: the narcissi in long grass or the modern tulips by the hundred to brighten the flower beds.

New gardeners usually receive the same fashionable advice: begin with the bones first. Nowadays, the bones mean firm hedges of evergreen, some arches, perhaps a wall or even a fancy conservatory or temple if you want to spend your way out of bleakness. We tell you to begin with yew, box, climbing roses and the main specimen trees.

None of this advice is wrong, but I would add what experience has taught me twice: when you start jump on the future bandwagon of spring and never think of your garden as a place essentially for the months from May until October.

A passion for magnolias

In England the world's hall of magnolias, shredding in shades of pink, purple and white. Magnolia is a cruel April beast seen particularly unjust to David Chulow. In his garden, Chulow grows hundreds of magnolias - more than you might think any one man could want. But then, Chulow is a collector, and when was a real collector ever entirely sane?

Chulow used to spend much of his winter in a collection of orchids. Then, suddenly, his passion left him. Somewhere years ago he bought an Edwardian house, high on a hill in Surrey. Running into a small valley was seven acres of neglected garden with a pond and an Edwardian rock-garden. With some and at considerable cost, Chulow has made the rarified world of magnolia.

This time, fate and not fickleness has ended the magnolia era. A few years ago, Chulow recalls, he was offered £2m for the optician's business he had built up. He declined to sell. At Christmas 1992, the business went into receivership. So the house, Tilgates, with nursery glasshouses packed with exceptionally rare plants, and more than 100 species of trees and shrubs, plus a National Trust garden of over 400 different kinds of magnolia, is on the market.

Chulow knew nothing about gardening when he conceived the plan for an arboretum, and says that he is still not a gardener in the usual sense. "I've never actually planted a magnolia in my life," says Chulow. "I've never actually planted a magnolia in my life," says Chulow. "I've never actually planted a magnolia in my life," says Chulow.

however, he is scientifically-minded amateur who relished hybridising and propagating. Finding with little bits of plant material in a glasshouse perhaps came easily to him. As in an optician's business, building a magnolia plant collection meant impeccable records. Chulow keeps a computer record of his arboretum and produces his own elaborate labels. The magnolias are tagged in bold letters with details of their pedigree and who collected, bred, grafted, or gave them to him. Magnolias have reached Tilgates from all over the world - often by

Patricia Morison
finds a great collection up for sale

the most circuitous route. They arrived from an island off Korea owned by a banker, and from a magnolia nursery in Detroit from Alabama, Oregon, Northern Ireland, Japan, Canada and New Zealand. Sometimes they have come as twigs in bundles of twigs in Chulow in graft. Many magnolia greenhouses have been sent for grafting by Otto and Gertel Blumhut, "propagating geniuses" at Ticino, which is popular with taxidiers and magnolia-lovers alike.

At around £20 for even a stellata, which is easy to propagate, it is not cheap to have a magnolia hand-made in Ticino. Moreover, the real magnolia enthusiast likes to collect his new baby in person, armed with a plant import licence. To his Magnolia Atlas, which has the largest flowers of all, Chulow flew to New Zealand and brought back a 2ft

scion to graft.

Early this century, great collections of magnolias were made by the great collectors. It would be the next generation which enjoyed the breathtaking glory of these trees in bloom. Today, clever grafting makes it possible to speed things up. This is what Chulow did when he started planting in the boom years of the mid-1980s. His magnolias are not seed-grown but are grafted on to the appropriate rootstock to produce dwarf plants which then flower earlier.

The grafted hybrids of *Magnolia campbellii*, which flowered in February, all bore flowers in their third year. Text-books say they take up to 18 years. Betty Jessel, planted in 1988, might have taken as long as 25 years to flower if she had been raised from seed. So do not hang back thinking life is too short, is Chulow's advice. Identify the magnolia you want and get it grafted from a specialist nurseryman: buying dubious magnolias from a garden centre is a mug's game.

Then feed your magnolias well, for enhanced performance. In the palm days, Tilgates' magnolias are fed a foliar feed every two months, and some fanatic collectors feed their plants weekly. It is impressive to see how tall some magnolias can grow in less than a year. Exquisite white *M. de la data*, the tree grown for 1,000 years at Chinese temples, was planted in 1988 and is a respectable 18ft. Heavily scented, carmine-flowered *Magnolia sprengeri* also was planted in 1988, flowered in 1990, and is now 20ft.

Of rarities, Tilgates has no end. I have seen the variegated Turkey oak, the Blue-Needled Lumber Pine, and a kind of Japanese birch so rare that there are only six left in the world. But let us keep to the magnolias, some of them extraordinary enough. Like a variegated *Magnolia grandiflora* in the glasshouse, I can now claim to have seen *Magnolia zeyheri* in bloom - nothing much to look at, but it is thought to be the first time one has flowered in a European garden. I also saw *M. cylindrica*, a plant far rarer than it should be, white and beautiful.



David Chulow surrounded by hundreds of magnolias at his Surrey home

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Skiing

Saving the best for last

Arnie Wilson on late season snowfalls

In the Tyrolean mountains, sexism has been swamped with snow. "In April," we are told in the *Alpine* magazine, "it is as if the mountain were fair, calm, round, warm, alluring, and ready for all pranks." But this April, the pranks will wait. Blizzards which swept much of the Alps some weeks ago have been the season's last late, in most cases.

The day the British resort of Gstaad closed the skiing season opened and dumped half a foot of snow on the notice-board announcing that all the lifts had shut.

The following day in nearby Villars, skiers battled through thigh-deep powder snow on the piste. It always seems to snow in April, but rarely quite as much as this. Says Patrick Messelher, Verbiere's Tourist Director: "We had a few blizzards last winter was bound to come back in April. This is real winter snow we are skiing on. Not a few flakes of spring snow."

In Verbiere they were caught out. They had already rolled up their gear to make a start on preparations for the new large Funifun gondola which will last replace the antiquated Atlas 1. The snowfalls interrupted progress but the cabins, transporting 30 skiers, will be running

next winter, helping to alleviate Verbiere's lift-queues by transporting an extra 1,650 skiers an hour. The fresh snow brought conditions that skiers dream of in December but simply do not bother to enjoy in spring when their minds are full of summer activities.

Once again there are comparatively few people in the cream of the Alpine ski areas, but there is a minor scramble to get to the snow. Andrew Dunn, of Ski Scott in Keynecote, Colorado, the host of Ski Scott Dunn, our hosts in Champéry, joined us, all dressed in pink and black, and together we jetted 30 miles to the Portes du Soleil.

"This kind of snow is much better for skis, and yet in the first two or three days of new snow we had more damaged skis than at any time this season. What happened was that when fresh snow fell on the piste slopes, the snow had already vanished, it gave the appearance of being a good surface. In reality it was just snow on stony ground, so when people skied the lower runs, they were damaging their skis."

Either way, operators hope that just as the season has begun to

FT Round the World Ski Expedition

Arnie Wilson and Lucy Dicker are trying to ski every day of 1994 on a round-the-world expedition. They began the year in North America and are now in Europe.

Arnie reports: Is the sun never going to shine again? Or is this some kind of winter? In Switzerland we were hit by one of the worst blizzards I have witnessed in 20 years of skiing.

But the good snow helped us to make an assault on our record of 26 days for a single day's skiing, set in February in Keystone, Colorado. The host of Ski Scott Dunn, our hosts in Champéry, joined us, all dressed in pink and black, and together we jetted 30 miles to the Portes du Soleil.

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Lucy's timing in powder skiing from Uell Frei, president of the Continental Guides Association, proved timely, for the trail here in four days, thigh deep powder - on and off the piste - was just about all there was. In Villars, we made the mistake of skiing down a piste and had to walk all the way up again. Now we are in France, I will no longer have to struggle with Italian or German to find out where the lifts close. Lucy can talk.

"There is still time to win a skiing holiday for me by entering the competition which appeared in Weekend FT on April 2 (copies available from the FT shop, 0171 571 3324).

realise that the unfashionable month of January is a good time for skiing, there people will now be out there in the snow. The best of the winter is not in winter at all, but in spring. For those who like their Aprils warm, there is an old Swiss saying, which seems particularly appropriate this year: "He who has seen three good Aprils is already old."

Meanwhile, just like at the end of term at boarding school, everyone is packing their bags and heading for home. The end of the season, announced the Ski Club of Great Britain on the Tourist Notice board in Verbiere. "Rep [Name off] the sunset. Flowers, bequests, gifts and tokens of love welcome. Back to work."

Trails to be blazed

This heat. This damned heat. Sun beating my face in the dazzling wilderness. I could not go on without a drink. Through dried, cracked lips I begged of our guide: "Please... back... we need to go back."

"Very well," replied Einar. "Nilsen, the guide. 'And if you're thirsty, drink the snow.'"

I had no idea how adventurous cross-country skiing could be until this end-of-season trek in the mountains above Voss in Norway. Einar, who runs the school, had invited me to try something new and a sparkling sunny afternoon, plus the prospect of more comfortable boots, persuaded me to join him on a cross-country pod.

As a downhiller, I always thought it was so easy, so dull - just walking, with a bit of sliding on the hills. I was mistaken: the heat, the wilderness and my total lack of control of the wispiness of my skis fixed only at the toe left me gasping with thirst. Walking and running on the flat or uphill was bearable but even the gentlest downhill had me in a heap.

The Norwegians, by contrast, have a spring in their step: their football team is on its way to the World Cup finals and the Winter Olympics at Lillehammer were as good as anyone can remember. And in the small town of Voss the locals are particularly keen to remind visitors of the history of skiing medals won by the natives. They hope this success will smarten up Norway's reputation as a serious skiing destination and lay to rest the impression that the country is just a huge flat field only fit for cross-country.

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SPORT / MOTORING

Cricket: ■ Simon Hughes looks back at Caribbean Tests ■ David Owen visits ■ Northern Ireland club looking ahead to the season

England are licked into shape by Lara

England may have lost the Test match yesterday, but it was a series of chases and sumo. Already two-nil down by mid-March, England sank to their lowest ebb in Trinidad when their batting was blitzed by a sensational spell from Curtley Ambrose, probably the best fast bowler that has ever lived, certainly the tallest.

England responded by sending 7,000 reinforcements to yell encouragement in Barbados, and this spurred Alec Stewart to his two centuries in the match and England to their first win in Bridgetown for 59 years.

And then came the small matter of Brian Charles Lara. Compact and chunky, like many old batting kings - Donald Bradman, Len Hutton, Sunil Gavaskar - Lara is the man with the most voracious appetite for batting in world cricket. He toyed with the England attack for close on 27 hours over the five Tests, and could not be contained.

The wagon-wheel scorecard for his record-breaking 375 in Antigua - each stroke represented by a thin black line - looks like a huge plate of spaghetti. Very occasionally during this astonishing and chanceless innings, his inside edge was beaten, but the ball missed the wicket almost as if it was not there.

Obviously this particular feat was meant to happen. This was underlined by the presence on the players' balcony of Sir Garfield Sobers, the man whose record score Lara passed, ready to come on the field to embrace his heir at the appropriate moment. England were as powerless to arrest his progress as were the local police to restrain 1,000 invading West Indian supporters.

That is the point about West Indian cricket. It is irresistible. Ever since they proclaimed to the 1947 England team that they were unsure of their ability and then took the field with the three Ws (Warrell, Walcott and Weekes) the West Indies have turned

Cricket rivals Christianity as the main religion among West Indian men

players from? Several years ago there were rumours that cricket was beginning to decline in the West Indies. These were unfounded. Undoubtedly in Barbados - the traditional cricket stronghold - basketball is taking a grip through American television. Much less cricket is played on the beach there, and the current Test side has a conspicuous lack of Bajans.

Elsewhere, cricket rivals Christianity as the main religion among men. On small islands such as Grenada or Tobago, car drivers have to swerve round street games as well as potholes and in Guyana any patch of flat land beside a creek or river will do. Using the base of a palm tree as the wicket, two "pelt" bowlers alternate from one end, chucking rather than bowling. There may be 20 fielders, so you learn to stay in - if you are out you might not have another bat for a while. Wherever there is an empty beach, there will be a match.

If interest was flickering in other places, Lara's genius has ignited it

up the heat on visiting teams. A conveyor belt of new Test matches to replace the old ones, there is no respite in the West Indies.

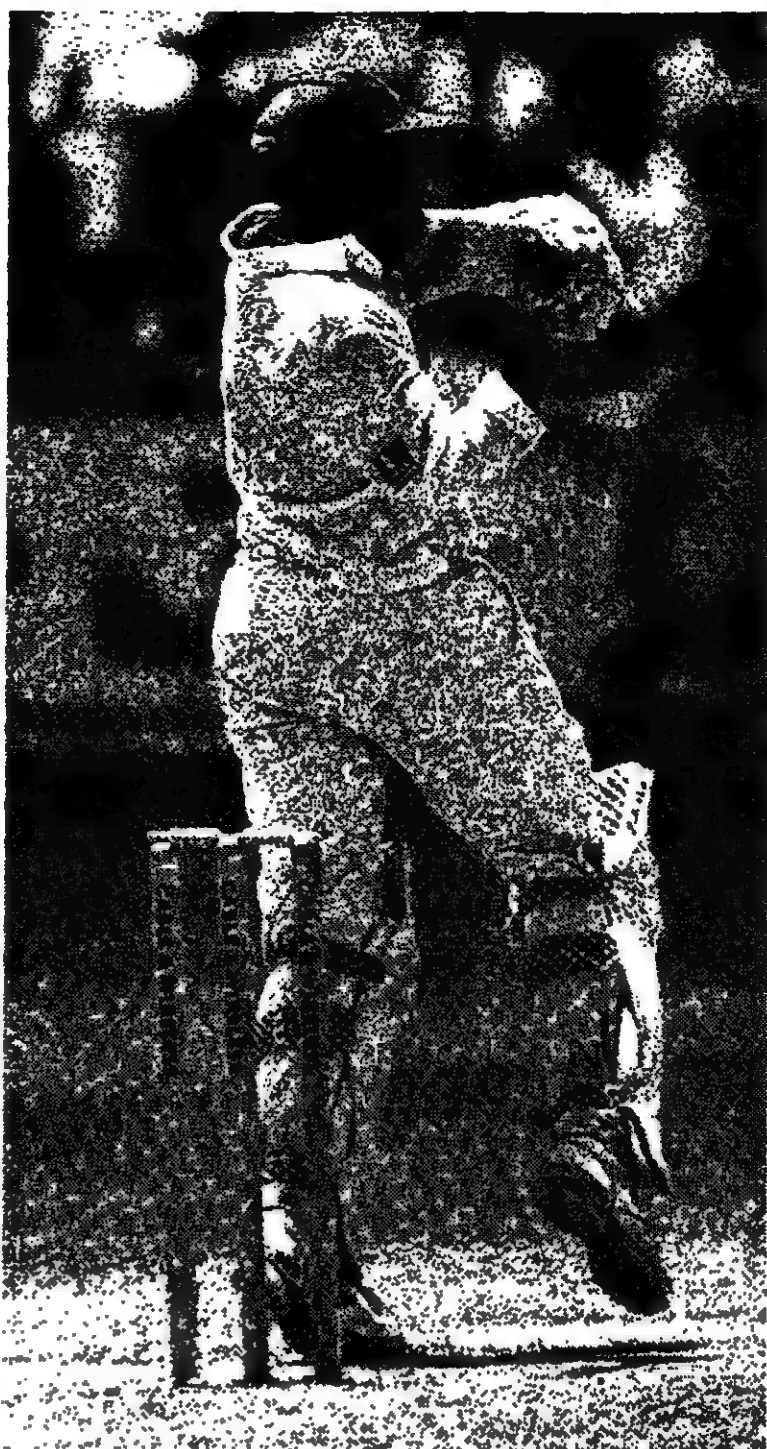
Cricket virtuoso, free-spirited and almost unnoticed, Nineteen-year-old Shiv Chanderpaul was given a fanfare on his debut on the patch in Guyana and has since made a 50 in the Test. The number five, Jimmy Adams, played eight Tests and averages 61. And Lara has played greatness by the way of an invincible side county cricket club have played a match in this series.

Confronted by the wealth of talent and the depth of passion, a young England team has fared quite well. "They've matured down here," said one onlooker, and he was right. Atherton and Stewart have become the world's best opening partnership. Robin Cook, the number three, is a belief, you will not find a more accurate bowler than Angus Fraser, and Graham Gooch will be available for the Tests against New Zealand and South Africa this summer. All England need is a quick bowler.

In the Caribbean, they are still wallowing in the deeds of Sobers, and his prime was 30 years ago. Presumably Lara will now be similarly deified. Once a hero, always a hero.

Star cricketers do not pay taxes in the majority of islands of the West Indies, most do not need jobs once they retire. Cricket is the route to prosperity.

In England few players receive the status they deserve. As soon as they reach the highest echelons they become targets for ridicule. More than once this winter a picture of the captain, Mike Atherton, has appeared in British tabloid newspapers with a turnip superimposed on his head, but Atherton is no vegetable and he has a willing bunch of players. Do not be surprised if England give this summer's first visitors, New Zealand, a damn good licking.



Over the boundary: Lara hits the four that took him past Sobers' record Test score

Waiting for sunshine in Ulster

Down at the ground overlooking scenic Lough Foyle the turf squelches underfoot. The Rising Sun cricket club in Greysteel is one of many ordinary pub and village teams which will face a damp start to the new season this afternoon.

"You found it under the water then?" jokes Jim Moore, the Rising Sun's owner, at the bar later. When not pulling pints, Moore doubles up as a left-handed all-rounder.

Rising Sun is no ordinary pub. And Greysteel, a small town of 1,000 people straddling the main road from Londonderry to Limavady on the coast, is no ordinary village.

It is here on the night of the 10th that loyalist terrorists burst through the door just after 10pm and fired indiscriminately on the pub. They killed seven - five Roman Catholics and two Protestants. Greysteel is one of the places where your choice of pub is on the side of the sectarian divide you come. The Rising Sun was and remains a mixed bar.

One of the victims was Moore's octogenarian father, a former opening batsman for the club. Another was a stalwart of the local league. As a handful of customers discuss the idiosyncrasies of the local steak-houses and studies the card for the 2.15 at Newmarket on Coefax, it is hard to believe this unremarkable red-brick building could be the scene of such carnage.

But as Moore proudly exhibits the club's new floor, complete with dance floor, club meeting room and electronic door lock, it begins to sink in. "They were standing right here just inside the door," says one customer in suit and tie. Another patron with tattooed forearms points out the corner where he and others dived for cover.

If the government's version of events is to be believed, the upsurge in violence culminating in this attack prompted a panicky secret message from the IRA leaders three days later. The message said: "The country could be at the point of no return."

That a club playing such an archetypically English game exists at all in a village where an estimated nine out of 10 inhabitants are nationalists is, at first glance, surprising.

Those unfamiliar with the complexities of the so-called "troubles" might expect all Roman Catholics to run a mile from the national sport of what the IRA regards as an occupying power and to stick to traditional Irish sports of Gaelic football and hurling.

In fact this largely apolitical region has enjoyed playing cricket since at least the turn

'A man who plays cricket... is not a man who is going to fight anybody'

with the military men," said one local cricketer. The present team is about three-quarters nationalist.

That the club is preparing for the new season as busily as the rain permits is a testament to the tenacity of the province's war-weary inhabitants and a small symbol of hope for the future.

Some of the teams the Rising Sun will face in section three of the North West League will be exclusively Protestant. "You can't live in the past," says Moore in explanation of the club's determination to go on.

Iain O'Hara, a lawyer and opening batsman who captained the club in its finest hour - its 1991 North West Junior Cup victory - talks over a pint of Guinness of the "subtle accommodations" which sportsmen in the area are prepared to make.

"A man who plays cricket in order to spend time away from the wife and to drink five or six pints in the evening is not a man who is going to fight anybody," he says. "There could be subtle accommodations in every area of life if there weren't so many flag-waving politicians with vested interests. The people who play sport in general and cricket in particular don't have any strong political views."

This may be true in Greysteel in 1994, but it was not always so. A history of War of Independence cricket club, one of Northern Ireland's finest, notes that Captain William Parnell was said to have led the nationalist struggle in the home rule struggle in the 1880s and 1890s "in much the same way he had formerly led the County Wicklow XI".



Breaking through: Julie Thomas of Wales with the ball against the US in the World Cup

Rugby Union/Janet Kellock A World Cup of their own

In January, Sun Brodie telephoned her friends Ramsey Jones and Sandra Williamson to ask them out for a drink. That evening, at a pub in Leith, Brodie sprung her surprise. The Netherlands had just announced that it could not host the 1995 World Cup, scheduled for April. She suggested that Scotland host the cup and the three of them organise it. Brodie, the full back and the chair of the Scottish Women's Rugby Union, Jones, Scotland team manager, and Williamson, Scotland's captain, had just 30 days.

The three, with Sandra's husband George, contacted the countries which had entered, rugby clubs around Scotland and potential sponsors.

Their mission agreed to compete, although Spain eventually dropped out and was replaced by a hastily-assembled Scottish student team. Clubs offered to host and use their contacts with local media to promote the event. But sponsorship proved difficult to find. One company told Jones they were not interested in sponsoring "just a bunch of girls" trying to play a man's sport.

Many of the competing teams struggled to pay for the trip. The US, Japanese and Canadian players each had to find £1,000.

The teams were divided into four pools of three, but it quickly became clear that they also divided into three classes, led by the US and England, who were seeded to meet in the final.

The US started with a 111-0 win over Sweden, then Japan 121-0. England faced tougher opposition. They played Scotland in a match that drew a boisterous home crowd of more than 3,000 to Boroughmuir. Scotland produced some of their best rugby but still lost 26-0.

The top teams have drawn surprised admiration from male spectators for their ball handling and kicking. The accuracy of Almond, England's place kicker, against Scotland prompted flattering comparisons with male internationalists. All the teams have shown physical commitment in the tackle, even if not all of them have mastered the technique. At Boroughmuir, the ferocity of the tackling by the Scottish centres drew pained gasps from the largely male crowd.

For Brodie, Jones and Williamson the direct involvement ended after Wales beat Scotland 8-0 in the quarter-finals. Sunday Melrose. After the match both teams did what rugby players everywhere do, they went to the bar, exhausted.

Unlike most of the games in the World Cup, this had been a tense, attritional, forwards' battle. Both sides had produced some moments of flair and imagination but also made some stupid mistakes and decisions on the field. While Brodie and Williamson nursed their pints and their bruises the disappointment of defeat as players was mixed with the satisfying knowledge that their bold plan to stage the World Cup had come off.

Wednesday, Wales' their 11-0 to the US while England beat France 19-6. Tomorrow the US meet England in the final. Two weeks ago women's rugby was a game that women should not be playing. By Wednesday spectators were asking why men cannot produce such displays of running rugby.

Motoring/Stuart Marshall Paths were made for walking

Pedestrians outnumber motorists, a fact many drivers forget until they start walking themselves. Then the boot really is on the other foot.

The AA's Foundation for Road Safety Research has come up with a report - the statistics are in kilometres - that should enable Britons to walk more safely and gives all drivers food for thought.

One example: for every 100 million kilometres walked alongside traffic, 411 pedestrians will be killed or injured, compared with only 34 car drivers covering the same distance. Only motor cyclists (551 deaths per 100m kms) and pedal cyclists (508) are at greater risk. And it has to be said that quite a few motor cyclists kill or injure themselves by losing control and running off the road without other parties being involved.

The AA Foundation report is based on a two-year study of walking patterns and accident records in Northampton, a typical UK town with a population of 180,000 and a mix of residential, commercial and industrial districts. The findings have been extrapolated to cover the whole of the UK.

In Britain, road casualties continue to fall. The national total of 3,819 deaths in 1993 was 10 per cent less than the year before. Pedestrian casualties also fell - by 7 per cent. Even so, 1,250 were killed and 11,411 seriously injured in the British Isles last year, so there is plenty of room for improvement. To those whose eyes glaze over at the mention of road safety, I would say this:

'French authorities have no scruples about preventing pavement parking and speeding'

ever, the AA Foundation discovered that heavily-used main roads, carrying 100,000 vehicles a day through Northampton, were six times as dangerous for pedestrians.

And walking on post-1965 housing estates was found to be safer than on older ones because the footpaths were separated from traffic - which puts one of my hobby horses under starter's orders.

I believe there has to be a greater separation of pedestrians and traffic and less pedestrian crossings should be raised far enough above the road surface to deter speeding. When the railways were built 150 years ago, their promoters were compelled to fence off every inch of the permanent way to protect straying livestock. The old understanding - backed by the law - that

footpaths were for people, roads for vehicles has been put up here and there. But a simple solution seems not to have occurred to the council. Whenever a kerb is raised, it should be made too high for vehicles to mount.

Naturally, gaps and ramps would let pedestrians, prams and wheelchairs pass through easily - but the gaps would be too short for any vehicle.

In the busiest, double yellow-lined shopping streets, kerbside railings would do two things: protect pedestrians by channeling them on to proper crossings - and make illegal parking pointless for anyone except Olympic bikes.

At the same time, raised pedestrian crossings would cause serious damage to a car. That ought to deter the yobs who think it smart to



An alpha rating for the new Vauxhall Omega

In Britain, the Vauxhall Carlton (Opel Omega on mainland Europe) was a worthy but under-rated car, coming somewhere in between a Sierra and a Granada in many a business motorist's pecking order. The new Omega - the Carlton name has been dropped - promises to put that right.

The German-built Vauxhall Omega range of saloons and estate cars (an estate is pictured above) retain rear-wheel drive although all of them now have an elaborate multi-link suspension once confined to the excellent Carlton GSi and Senator CD models.

Safety and security were vital concerns. All Omegas have anti-lock brakes; most are fitted with three-point seat belts for all five occupants, and airbags for driver and front passenger. Remotely controlled deadlocking, with a fuel pump, starter relay and electronic control unit

immobiliser are all standard. Buyers have a choice of three multi-valve petrol engines - a 2-litre, 136 horsepower four-cylinder, a British-made 170 horsepower 2.5-litre V6 and a 210 horsepower, 9-litre V8 - plus a 130 horsepower, 2.5-litre BMW-sourced six-cylinder turbocharged and intercooled diesel.

There are five standards of trim from the entry-level Select to the poshest leather-seated Elite. Any Omega can have five-speed manual or four-speed automatic transmission. Of the four Omegas I sampled very briefly in Scotland last week, a turbo-diesel estate and 2.5-litre V6 saloon appeared most. The diesel, with 'fly by wire' accelerator control, was almost as smooth and silent as a BMW 524td which has a similar engine. Its torque (pulling power at a given engine speed) is greater than that of any other Omega except the 3-litre and

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FASHION

It is fun - and VAT free - to laugh at the fashion victim, dressed to the nines in a hideously unselective mixture of the most extreme of the latest looks. But no matter how far we consider our own mode of dress to be from the wilder shores of such lunacy, few of us are left unaffected by label fever.

Label chic in the modern, fashion sense started in the 1970s. Then the Italians - the most confident show-offs and entrepreneurs in Europe - came up with a startlingly logical solution to the problem of how to let people know that serious money had been spent on clothing: wear fashion labels on the outside.

A rash of embroidered flashes bearing fabled names appeared on the outside of handbags, on the collars and cuffs of garments, and across the front of jerseys and sweaters. It was vulgar, but it

worked.

More refinement was to come. The next stage was subtle, insider flaunting.

Nothing as obvious as the designer's name was paraded. This time it was simply a label that was prominently worn.

Suddenly, shirts were awash with tigers, crocodiles and polo horses. Even the shark found itself emblazoned on a range of golf clothing. But there were other varieties. Shark patrolling the muddier waters of the rag trade world, producing "rip-offs" in their millions. But not even they would kill the

hure of the symbolic tag.

Today, the label has gone underground but the logo is still flourishing - and seems likely to continue to do so.

In the 1970s it seemed innocent and amusing but, as always, there was a hidden agenda. As the 1980s dawned, it became clear that a new generation of first-time buyers in the luxury market had no concept of quality. They had no idea of how to differentiate between good and bad items - of well-cut and properly finished garments or those that had been thrown together. The mere inclusion of the word

"designer" was enough. It had a name, what else could matter?

Clever advertising made new buyers aware of the talismanic quality of a prestigious label but they had been given no concept of the quality for which such labels should stand. It was open season for rag trade charlatans.

Ignorance is always exploited and, as the 1980s began to boom, shrewd heads were put together in the boardrooms of Paris and Milan. They were asking the same question: why bother with high standards if the public fails to appreciate them?

It, as was increasingly obvious, the public was more interested in the label than the garment, surely the next step was clear? Advertising around the name, make the logo desirable and cut corners on production in order to keep profits buoyant.

And, bizarre as it now seems, they were right. In the spending bonanza of the 1980s - which, it is often forgotten, began not with property but with fashion - the designer became pre-eminent to such an extent that even merchandise far removed from the world of fashion jumped on the bandwagon

and "designer label" became the buzz phrase which released its credit cards.

The fashion designer stopped being the humble little artisan of the past and became the grand signifier that he is today. Furthermore, he became an omnipotent and so valuable society that the word "label" seemed to be gilding the lily. "Designer" on a product was enough. Designer stationery, designer bathroom accessories, even designer refrigerators were eagerly bought for the value of that word alone.

Never have so many people been

so easily separated from their money in pursuit of a mirage. It could not last, of course, but the fallout has. What happened in the 1980s was that quality was swallowed by hype.

The 1990s have seen no call for its return. Even value for money has now become a nebulous concept. Buttons that fall off at first wearing, linings that slip and hang below jackets, polyester priced as if it were top-quality silk... these faults are increasingly accepted as the norm.

The fashion industry is in disarray. Economic confusion is found at all levels. Now is the time for consumers to exert their power. We can bring back quality by demanding value for money. After all, we were the ones who threw it out in the first place. We will be doing the fashion industry a favour as well as ourselves.

Just never mind the quality. . .

... feel the designer label. Colin McDowell calls for a return to value-for-money clothing

Build a new look with antique clothes

What was chic in 1910 can look wonderful in 1994. Jane Mulvagh rummages along the rails at London's best old clothes shops



Lavender silk chiffon dress, £185, Lunn Antiques. Lavender slip, £10, Cornucopia. Silver slip-slops, £100, Jimmy Choo



1920s Chinese silk pyjamas, £125, Gallery of Antique Costume & Textiles. Hot pink viscose cami-cami, £5, Cornucopia.



Main picture: Lavender crewel-work coat circa 1800, £245, Lunn Antiques. Gold ghillie shoes Joan & David, £165 at Harvey Nichols, London, SW1. Inset: Edwardian pink crocheted cotton jacket, £250, Virginia Antiques.

pieces discovered during a single week.

You have to shop on spec. for the one-off in quickly sold.

Try to find a spectacular period piece with modern accessories - for example, a naive, cream silk dress with silvery platform heels to create the look of an ingenue - otherwise one gets more like a dusty Miss Havisham or an actress who has washed away from a film set.

The best finds in London are Virginia's Antiques, The Gallery of Antique Costume & Textiles, Lunn Antiques, The Chenil Galleries, Cornucopia and the regular Christie's and Sotheby's sales at Christie's.

Virginia's is an outstanding treasure trove. The proprietor, a former actress, is an inspiring role model and the supermodels, notably Naomi Campbell, frequently buy from her, knowing that, in spite of the increasing homogeneity of international fashion, they will stand out as originals.

Virginia selects period costumes but, if they are neither sexy nor winningly pretty, no matter how historically important, she does not buy.

On a recent visit, a stock which changes weekly, if not daily, included two Prussian-pink gaufrage velvet opera coats, which could be updated with silver leggings; at least half a dozen late cut chiffré dresses which, with the addition of a slip and lace La Châlon boots, could take you from a lunch party to a ball; a beaded Dorothy bag, which

longed to fasten to the loops of a pair of jeans as an unexpected version of the "bum-bag"; and a white lawn dress which, peeping from under a strict suit for the office, would immediately create the softer look that many working women seek.

Prices range from \$40 for a piece of silk lingerie to £1,000 for a muslin-shell dress and an antique pink, cut-velvet, fringed shawl that made me weak at the knees with longing.

The Gallery of Antique Costume & Textiles provides not only museum-bound Victorian and also unexpected treasures such as a faded indigo cambric dress for the 19th century. These items are in particular good as Chinoiserie: these were at least one quilted Oriental jackets on a recent visit.

In addition, the proprietor produces a limited range of new pieces from antique materials along period lines. The choice is determined by both the stock in the shop and the whims of fashion.

Lunn Antiques is the ultimate lingerie paradise. New arrivals are of immaculately ironed whites - camisoles, cami-knickers, petticoats - silk and satin underwear and the old pre-war riding habit, the dance dress or 19th century black muslin smock.

Juliet Lunn's taste conjures up a wayward theme. Hardy hats and hats have wandered into Jean Muir's boutique.

The Chenil Galleries, abutting the Town Hall on the Kings Road, houses three antique stalls. Work ranges from the frankly tatty to 19th-century shifts that are cherished for their historical value as well as collectors. But, unlike Virginia's or Lunn's, the service is slapdash and surly; no effort is made to help customers find what they need.

Cornucopia is just that - a charity shop bric-a-brac along the Kings Road. Over the years this scruffy emporium has yielded numerous couture pieces from Balenciaga to Paquin.

It is a rather amusing sight to see a man in a suit and tie perking up an old dress. Reflecting the extremely low prices (from £2 in some cases) prepared for a real rummage, and pencil an entire wardrobe into your diary. The service is exemplary.

Christie's is auctioning an extensive collection of antique house numbers spanning four decades and was owned by the late Mrs Heard of Osborne.

A score of Balenciagas, a Givenchy, 14 Saint Laurents, one sequined Pucci and one unworn Christian Lacroix are for sale alongside Ferragamo and Roger Vivier shoes and vintage accessories.

Antique garments will stay with you, loved and complemented, for many years. They are a wardrobe investment, rather than the passing, expensive vagaries of designer fashion.

Virginia's Antiques, 98 Portland Road, London W11 4LQ. Telephone: 011-734 0000.

Lunn Antiques, 31 New Kings Road, London, SW6 4LD. Telephone: 011-734 0000.

Chenil Galleries, 121 Upper Tottenham Street, London, W1V 1AH. Telephone: 011-828-5752.

Christie's, 136 Ebury Street, London, SW1. Telephone: 011-834-3332.

Cornucopia, 121 Upper Tottenham Street, London, W1V 1AH. Telephone: 011-828-5752.

Photographs: Paul Massey. Styling: Jane Mulvagh. Hair, make-up: John Gustafson.

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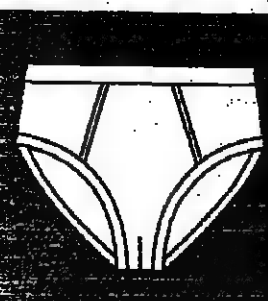
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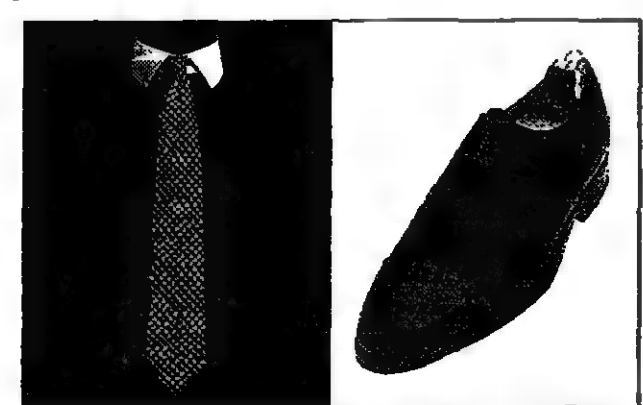
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Girl's cream cotton dress with crochet inserts and white embroidery, sold at Christie's South Kensington on Tuesday in a lot with children's clothes. Cream crochet shoes, Pied à Terre.



HACKETT LONDON

New Shop Open

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It can be extremely distressing to pay for a special outfit only to find that it becomes a hit for the fashionistas and many other people are wearing it.

One of the fundamental rules of dress, particularly dressing-up, is that it distinguishes you. It's finding yourself just one of a crowd spoils the fun.

A way out of this trap is one-off dressing. By trawling through some of the myriad antique fashion shops and auction rooms you can bypass uniformity.

It is best to hunt around on a regular basis and not leave it until you are in dire need of an outfit - that is when the choices are made.

Your approach can be either that of the collector, who ignores high fashion, or simply an amateur seeking to improve current fashions with antique originals.

There is a particularly appropriate time to try these

many period silhouettes, textures and details are a la mode. Nubby, open-work crochet is favoured by Moschino, Christian Lacroix and John Galiano this season, so why not buy the Edwardian original?

A cream openwork tabard, circa 1910, was sold this week at Christie's South Kensington, London, for £187.

The slightly louche femininity illustrated by bias-cut chiffon has reached cult status - thanks to John Galiano and Valentino. For half the price you can find 1920s and 1930s originals which are far more beguiling.

One old printed dress has been much more subtly updated in latterday versions.

The latest collections from Jean Paul Gaultier and many others, look as on a National Geographic film of the far east, particularly Thailand and Mongolia. But why not buy a 19th-century Victorian quilted silk jacket instead?

Pictured here are just a few

سكينة الامل

HOW TO SPEND IT

Avant garde for the home

Lucia van der Post on a young furniture designer who today opens his own shop

I **Y**oung house is still a place with glided putti and grand cornices. This is for those who are interested in the past, the traditional, the avant-garde. Tom Dixon, one of our most full young furniture designers, has decided to open a shop of his own. Like Sir Terence Conran, he has found that a designer with strong ideas of his own, there is a substitute for a very own retail outlet, free

from the constrictions of conventional furniture departments and the kind of mind that thinks in terms of three-piece suites.

Tom Dixon is one of a bright young group that started work in the early 80s and began exploring ways of turning discarded materials into things of beauty and usefulness.

His early curving voluptuous shapes were formed from scavenged materials. Later he moved on to metal which he has used in his designs. Early in his career he came

notice of an Italian manufacturer, Cappellini, and many of his designs are now in proper production, including his most famous design, the S-chair (photographed below left).

Now fully established with his own studio in London, he found that many of the people working with him in the studio had bright ideas of their own but were stumped as to how to sell them. He started by allowing them to develop their own designs in the studio (which gives them access to equipment) in the evenings and at weekends.

When he saw the results he realised the next thing they needed was an outlet. Almost nobody, he feels, is prepared to stock the kind of innovative, not too expensive designs that the young are interested in and that his designers make.

So today, in the livelier reaches of north Kensington, he opens his own shop called Space. The tastes and styles of the various designers vary but they share a common interest in exploring new materials and new ways of using them.

For instance there is furniture made from recycled plastic (some of it, by Jane Atfield, featured on this page earlier in the year), there is Christina Lamiquis's seating which looks for all the world like woven metal string and is in fact stainless steel mesh and titanium and there is Hilaru Nogu-chi's extraordinary fabric-covered furniture.

She has developed some flocking techniques ("borrowing," as Space puts it, "from the aesthetic of the Indian restaurant") which have never before been used on upholstery - Michael Young's lounge-shaped seats are made from foam and then covered in it while Tom Dixon has used it to cover some of his established classics.

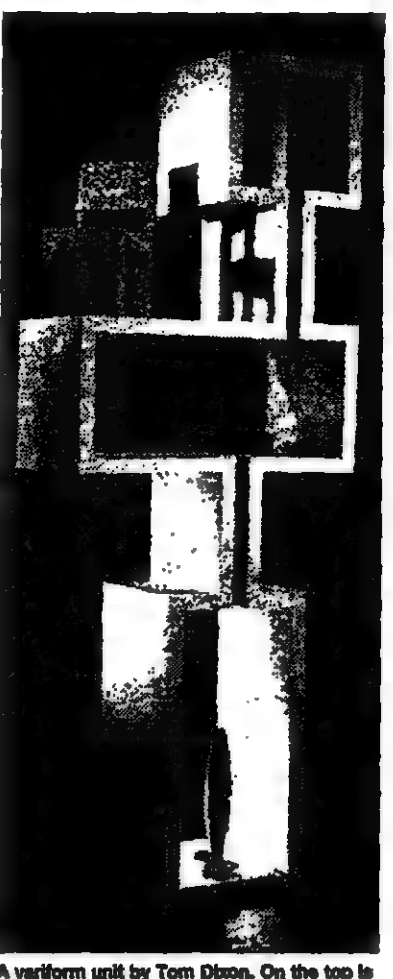
Realising that some of the prices of the furniture will be beyond the reach of the people they would most like to sell, Tom Dixon's own famous S-shaped chair, for instance, sells for about £500, his "crown" for £500. They aim to keep up a steady flow of interesting, original accessories. For the opening today, for instance, there will be rubber bathmats, some children's furniture by Simon Maidment, candlesticks and wall brackets by Candice Bovill Taylor.

It ought to be a good source of interesting lighting. Tom Dixon's own experiments with covering metal structures with tissue paper will be on sale, in particular there will be variations on the theme of his Brancusi lighting column and the lantern. It will also be the London outlet for the Cappellini range of his designs.

Space, 28 All Saints' Road, London W11. Telephone 071-727-0154. Most of the pieces can be bought by mail-order.



Tom Dixon's S-chair, made by Cappellini of Italy and on sale at Space



A modern unit by Tom Dixon. On the top is a recycled plastic chair by Jane Atfield.



Jason Ellis, a stone sculpture conservator, at work

Tony Andrews

Old glories as new

I **F**y my house I have been lurking about the house I could do with a good clean, a sculpture that has been based about on a fine piece of porcelain that has been spoilt by a chip, then Plowden & Smith are the people for you. Restorers to many a royal palace and personage (they have just finished creating all the new mounts and settings for the crown jewels) there is scarcely a precious item that they cannot tackle.

Plowden & Smith specialise in repairing anything from a cracked cup to a more than 18th-century vase. They love a challenge and besides restoring the old and the broken to the good-as-new they are also experts at producing immaculate copies of great works of art.

The Middelham jewel, for instance, found near York about 10 years ago, was part of the Queen's bounty, said to be 18th-century and now residing in York museum, but its finder feeling a bit bereft, Plowden & Smith came to the rescue with a perfect copy for a fraction of the price.

Then there are stately home owners who, strapped for cash, decide to sell a fine original sculpture, vase or other antique and ask Plowden & Smith to fill the gap with a replica. The original Middelham Vase, for instance, bought by Edward Castle, 2nd Earl of Bessborough, and around which a conservatory

was specially built, was sold by the Earl to the Burrell collection in Glasgow. The conservatory was looked forlorn without its pride and glory. Madame Tussaud, the new owner of Whitehall Castle, commissioned a replica which was the gift.

A visit to the workshops in Putney is like browsing through a museum. On the first I visited there was the hat Charles I gave to the people in reward with on his way to his execution - wonderfully embroidered in green and pink with a metal thread running through it. Plowden & Smith were fashioning a stand for it so it could be displayed.

So impressed was I that I consigned two well-loved Mary Potter oils of my own to their tender care - both, they told me, needed cleaning (though I had not realised it, so slowly did all the dirt accrue). Seeing a cleaned and an uncleaned patch side by side showed me just what 20 years in London does to pictures - the newly cleaned pictures have gained life and vitality and are now protected by an invisible fine protective coating.

Lucia van der Post on a company that restores everything from cups to crowns

Fashion icons

I **C**ons may seem an unlikely subject for the attention of fashionable collectors, made as they originally were for purely religious reasons. But icons, they have become. The Greek word *ikon* means an image, and the word has come to be used to embrace all those devotional portraits that were first made in the early days of Christianity. As Christianity spread so did the impetus to create religious images.

It is an entirely traditional art form, with all the spare beauty of early Italian primitive paintings. These days, the modern icons emerging from the monasteries and small family workshops in Europe usually follow the traditions strictly. They are largely unsigned, no cut has developed around any "name" and they are there - judged almost exclusively on their intrinsic artistic merits - spiritual qualities.



A Greek, 18th century icon, from Maria Andipa



A selection of modern icons from Romania, from Fair Trade Links

would buy a fine museum-quality large piece, dating from the 15th or 16th century - from a very exquisite "school".

For those interested in the subject, the gallery will be bringing out a brochure on the subject towards the end of next month and Maria Andipa herself has a learned article on the subject in the current issue of Debut magazine. The gallery is small but has great charm - a small portion is designed as an old Greek church crypt.

Fair Trade Links was founded by a group of people who, while working in Romania, decided that setting up a proper trading relationship with Romania and bringing its wares to the west was the best way to help it recover

from the traumas of the Ceausescu regime. For those for whom antiquity is not essential (although for me a certain history is part of their charm) these are excellent value.

All the icons it has to offer are modern - they are the output of monasteries, families, church restorers and painters working today. Though contemporary they are all painted within the strict tradition handed down from generation to generation. Icon painting was highly dangerous in the Ceausescu years but several of the artists went on painting as an act of devotion and gave the icons away so as not to make a profit. In particular the diptych, which could be shut like a book, was often carried by the devout, being much less

conspicuous than a crucifix. Some artists in the remote monasteries who find it difficult to get hold of materials now use oil paints but those from Bucharest are painted with tempera and gold-leaf.

Prices of the modern versions range from £50 to £200 and some can be found at Manchester Cathedral and at the Barley Hall shop in York. The biggest selection of all is at Fair Trade Links headquarters in St Albans.

■ Maria Andipa & Son Icon Gallery, 162 Watton Street, London SW2. Tel: 071-589-2371.

■ Fair Trade Links, Kingsbury Manor, St Michaels, St Albans, Herts. AL3 4SE. Tel: 0727-333464.

L.v.d.P.

Winds of change

Continued from Page 1

from the country itself to different peoples, the complexities, the richness of everyday life.

But life, they know, is changing fast - we are reminded just how fast by the presence of a cousin, a Rhodes scholar and legendary rugby player for Oxford and South Africa. When he went with a delegation to Dacca to try and establish a dialogue with the then-banned ANC, he was declared a traitor to his country by the Klerk, lost government contracts and was shunned by friends. Today he is a hero.

For the young, affirmative action is already beginning to change the old certainties. The effect of sanctions and worries about the future have meant that there has been a deep recession. A young architect has almost no work; a recent graduate cannot get a job; a

chemical engineer has had to make quite clear to him that the managing director's chair will have a black man's name on it.

On the day we came down from our mountain resort we see on the evening news there has been more bloody violence on the streets of Johannesburg. We stay at a hotel on our way down from the Drakensberg and the Indian manager says that all he longs for is peace. "Few of us are guiltyless; we all have cause to search our consciences. But I and my children, we feel passionately that we are South Africans. We don't want to leave."

You cannot be in the country long without sensing the deep longing for peace everywhere. The signs of the peace dove are on car windows, the motorway pay check-outs all wish one "a peaceful 1994". A Zulu driver whom we talk to in KwaZulu tells us that he will not vote. "How can I vote?" he says. "I know so little about what I am voting for. But I just wish the bloodshed would stop."

Everywhere we go we ask people how they see the future,

and they are sure to say, "Oh, I don't want to live much older," says the baggage handler at Durban airport. "I am afraid for the future. Things are not better. Everybody blames somebody else. I just want people to stop blaming the past. I want them to start from now, from today."

His words echo the words from Chief Gatsha Buthelezi's speech made two weeks ago when he was released from prison. "We must all begin by forgiving ourselves for the mistakes we have made and it must be not an intellectual forgiveness but an emotional forgiveness from the heart."

And that in turn reminds me of the *Winds of Change* myth recounted by a cousin who is a professor of Political Science at Stellenbosch University. It tells of the wounded soldiers who come round after a battle to find that they, who are from opposite sides, are the only two left alive - one cannot see and one cannot walk.

Without other, neither will survive. This, as he sees it, is the parable for South Africa today. All the parties need each other. All are wounded. All have something different to offer and to give.

But with each day's news comes the sense of an impending tragedy. A State of Emergency is declared in KwaZulu-Natal alone. The irony of Nelson Mandela and the ANC, who themselves suffered under the draconian rules of an earlier State of Emergency, imposing one on their Zulu countrymen is almost unendurable.

We all agree that the violence is terrible but nobody seems to spell out the full import of this state of emergency. From now on if a policeman sees a man walking down a road carrying a hoe and decides to arrest him he can do so, without any explanation or court procedure.

On our last day, as we wait for our flight, my daughter and I walk up and down the Durban beach front. Here, in my youth, only white children played. ("Can you imagine," said a coloured woman to me once, "the challenge it is to help your children grow up without bitterness when all your life you are having to tell

them that no, that sea, that swimming-pool, that tennis-court, that fine house, is not for you.")

Today there are *Bunny Competitions*, surfing competitions, families of every colour, men and creed, swimming, surfing, sunning, where people of the world come on holiday.

But there is one difference - at Durban's along the beach there are voter education centres where impeccably impartial information is handed out. They are manned by whites and Indian and Africans, working together, race at their seemingly irrelevant.

We can see that the impetus for the election to go ahead is almost irresistible. Even those who believe it to be undemocratic see no way out.

As we leave I am haunted by the fact that I know that a last grim battle is being fought - the prize, if it can even now at this late hour still be snatched, is democracy.

The onus are not good. The world is so relieved to be rid of apartheid that it seems to me little about the new tyrannies that are rising up daily.

Above all, who weeps for the 600 people, almost all black, who were alive when I arrived in the country and who now lie dead?



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THE BATHROOM PEOPLE

PROPERTY

Today is St George's Day, in honour of England's patron saint. It is also said by many to be the anniversary of William Shakespeare's birth - and the day he died. The greatest playwright in the English language was born at Stratford-upon-Avon, Warwickshire, in 1564 and spent his early years there. By the age of 30, he was established in London and a member of the Lord Chamberlain's troupe, the capital's leading theatre company.

From 1592, he played in London's most magnificent new playhouse - the Swan Theatre. He retired to Stratford and died there on April 23 - with a pomp and a "floral procession" to his grave in Holy Trinity church.

Stratford benefited immensely from the bard; without him, there would be little of the tourist interest that fills the town. There would be no Royal Shakespeare Company and no memorial theatre where it performs. (A summer evening treat is boating on the river Avon, ideal recuperation after a matinee of *Richard III*.)

There would be far fewer hotels, boarding houses and restaurants and the home of his wife, Anne Hathaway, would be just another delightful Tudor cottage. Nor would property prices be the premium they do. In Stratford, properties are about 10 per cent more than in the rest of Warwickshire, says James Way of Knight Frank & Rutley's branch in the town. Unfortunately, there is a shortage of pretty cottages and of good big houses.

Warwick is a metropolitan city. It is a confusing place to drive around, so plenty of time for getting lost if you do not know it and want to find Simon Bunting conducting the City of Birmingham symphony orchestra in the new Symphony Hall. (Alternatively, hear them at the University of Warwick - which is in Coventry, and is a large town.) Among Birmingham's attractions, do not miss the Barber Institute, which has unusual works by well-known masters.

For the sporting, there are several football teams, cricket at Edgbaston or golf at the challenging Belfry, UK venue



Four into one for £185,000... a quartet of cottages made into a half-timbered house at Lower Grafton

Shakespeare country

of the Ryder Cup matches with the US. Inspect cars at the National Exhibition Centre or farm animals during the Royal Agricultural Show at Warwick.

Getting around Warwickshire is easy. There is the M40 that links the county with Oxford and London; the M42 (Birmingham's eastern/southern ring road); and the A5, the main road which runs from Leicester to Gloucester and then through the south-east of the county. Indeed, with most of Warwickshire not far from a motorway, it is the heart of England.

There are mostly of brick and stone houses with large chimneys and a lot of Tudor and Stuart architecture. The best early brick building is the 16th-century house at Charlecote Park which dates to the 1550s. Shakespeare is said to have poached there.

Among later houses for sale is Welford Hill House in Welford-on-Avon, a tall Georgian farmhouse in 5.5 acres on

higher ground with views over the Avon valley as it meanders south-west of Stratford towards Evesham. The house was built in 1820 by Sedgwick Evans, who is also selling the Mill House in the village beside a well on the Avon for £300,000.

Other village houses in Stratford

and Woodcote for £250,000. Also in Stratford is the 18th-century house at Little Compton, which comes to auction - with planning permission for conversion - at 6pm on May 4 at The Fox pub in Chipping Norton (unless sold before). Joint auctioneers John Hogg and Taylor & Fletcher

On the anniversary of the bard's birth - and his death - Gerald Cadogan explores Warwickshire, the navel of England

are the Pond House in Birmingham, near Shipston on Avon (for £250,000 from Sedgwick Evans), and Cotswold House at Newbold on Stour, with a handsome late-17th/18th-century front (£235,000 from KFR).

Two old stone houses are for sale in Warrington, an attractive village set around a large sloping green on the county border north of Banbury. Savills offers The Dene for £285,000

century, it has 17 carved panels - mostly from the 17th century - in an upstairs room. Near Warwick, Stone Edge at Leek Wootton is a solid, early 20th-century, Lutyns-like house designed by H. Bulkeley Cresswell. At £185,000 from Howkins & Harrison, it suits a captain of industry.

If he prefers to live in Stratford, KFR offers 78 Tiddington Road for £250,000, while Sedgwick Evans has 81 Tiddington Road for £235,000. Outside Stratford, Charnock Hill Court, a 19th-century house, is for £447,000 from Sedgwick Evans. In Lower Quinton, a charming half-timbered house made from four cottages costs £185,000 from Sedgwick Evans. Further information: Howkins & Harrison, Rugby (01927-33231); John Hogg, Chipping Norton (01295-81414); Knight Frank & Rutley, Stratford-upon-Avon (01927-297135); Savills, Banbury (01235-81000); Sedgwick Evans, Stratford-upon-Avon (01927-297135); Taylor & Fletcher, Chipping Norton (01295-844344).

Cadogan's Place

Recovery is patchy in housing market

The March figures of the Corporate Estate Agents' property index showed much more business than in February but little change compared with March last year. New instructions were up 15.5 per cent on February, and sales (those agreed but not completed - a good forward indicator of confidence) by 9.5 per cent.

Most important - they provide the best indication of what is actually happening - is that completed sales were up 5.3 per cent on February.

But March was not so rosy when compared with March last year. New instructions were up by 5 per cent, but gross and completed sales were both down, by 4 and 3.8 per cent respectively.

The CEA covers about half the country's agents, and stories from others confirm this mixed picture. Some house prices have risen when there has been competition, but many are still coming down. The market is stabilising through a modest recovery.

Only in London have there been marked rises at the top end of the market. Savills Prime Central London index gained 5 per cent in the first quarter, bringing the total increase since December 1992 to 15.7 per cent.

The rise that began with large houses in Mayfair, Belgrave and Knightsbridge has now spread to flats in Docklands, a depressed area not long ago.

Beyond the capital, however, buyers are reluctant to bite unless prices seem reasonable, although agents report many potential purchasers on their books. And increases in fixed-rate mortgages may be an excuse to be yet more choosy. The secret for vendors is not to set a price geared to their highest expectations - or what they paid six years ago - but to choose a fair to generous figure. That will attract cash-

conscious buyers and produce the chance of competition, with a selling figure above the original guide price.

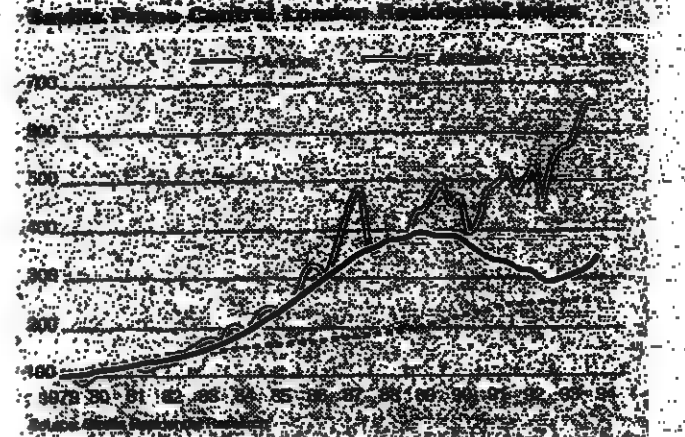
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How much competition will there be for one of the country's best grouse moors? Earl Peel wants to see. Through Davis and Bowring (0824-271711) and Savills (0904-620731), he is selling his large Gumeride estate in upper Swaledale, West Yorkshire.

On offer are 28,485 acres (including 6,580 of farmland, let and in-hand) with shooting rights over a further, heather-covered 5,670. There are eight

best parts of Scotland, with a variety of drives which can be tackled on the same day thanks to new roads through the estate. And bags have continued to get larger, reaching 4,103 brace in 1992. Although last year was a disaster, the 10-year average is 2,324.

The estate ranges from high moors to a small upland valley where the birds swoop suddenly over the guns who stand beside the stream. The grouse are laying their eggs now and the main hatching time is around May 20. Earl Peel and his four gamekeepers must hope for a great last season before completion next February 2. The price, needs thought.



cottages and a 14-bedroom house.

Swaledale is right out of the television series *All Creatures Great and Small*. At the bottom, grey stone walls crisscross the green meadows with their stone barns. Above are the wild moors, where it was snowing only a few days ago.

Peel has worked hard to regenerate the heather, which has been affected since 1947 by over-grazing. The government's sheep incentives have not helped the moors, either. Now as the sheep decline, the heather is returning although there are still 3,000 acres where it could grow again. Shooting is as good as in the

The starting figures between £70 and £75 plus VAT for shooting a brace, (or a capital value in recent large sales of about £2,500 a brace). Then there is the farm income (£70,782 in 1992/93) and the value of a fine pheasant shoot in the low ground - not to mention the buildings.

Hardest to assess, though, is the quality of the shooting. How much premium will a buyer pay for that? Eight multi-million pounds offers from people prepared to continue making the heather grow and providing a habitat that also attracts curlews, golden plovers and black grouse.

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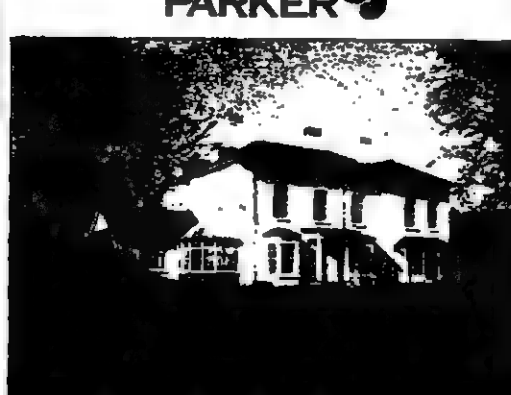
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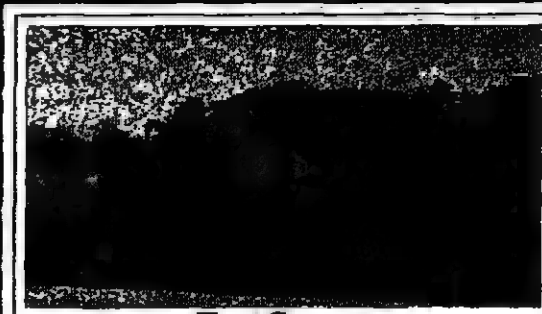
Kent - Fawcett Green Longfield Station 2 miles, (Vauxhall 50 minutes), Swaleley 10 miles. A handsome 18th/19th Century house set within the North Downs. 4 reception rooms, conservatory, 7/8 bedrooms, 3 bathrooms. Swimming pool with substantial summer house. Great tennis court area, stables, lodge, extensive range of outbuildings (11,000 sq ft). Mature garden, paddocks. About 2 1/2 acres. As a whole or in 2 lots. Joint Agents: Colin Gray, Swaleley, Kent, Tel: (0222) 653201. Strutt & Parker London Office Tel: 071-489 7282. Ref: 1AAS1000.



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سكوتلاندا لاند

TRAVEL

Violently buffeted by up draughts, the Twin Otter dipped and soared crazily. My neighbour, an Omani businessman in blue dish-dasha and white headscarf, peered out of the window. "There," he said. "There is the village where I was born."

Below, high bare mountains dropped down to the Arabian Gulf. Tucked under one cliff, I could just make out small, white houses strung along a narrow strip of beach, with boats drawn up. We were flying over Musandum, the northern-most province of Oman, a rocky peninsula which juts out into the Straits of Hormuz.

Separated from the rest of Oman by the United Arab Emirates, Musandum had, until 1970, been a largely forgotten enclave. With high mountains intercut with long deep ravines, its few villages were accessible only by sea, and had changed little since the Middle Ages.

But when the conservative Sultan Said was deposed and his son, Sultan Qaboos, took over, Oman was catapulted into the 20th century. A coastal road to Musandum through the UAE was completed in 1980, and schools and a small hospital built in the provincial capital of Khasab.

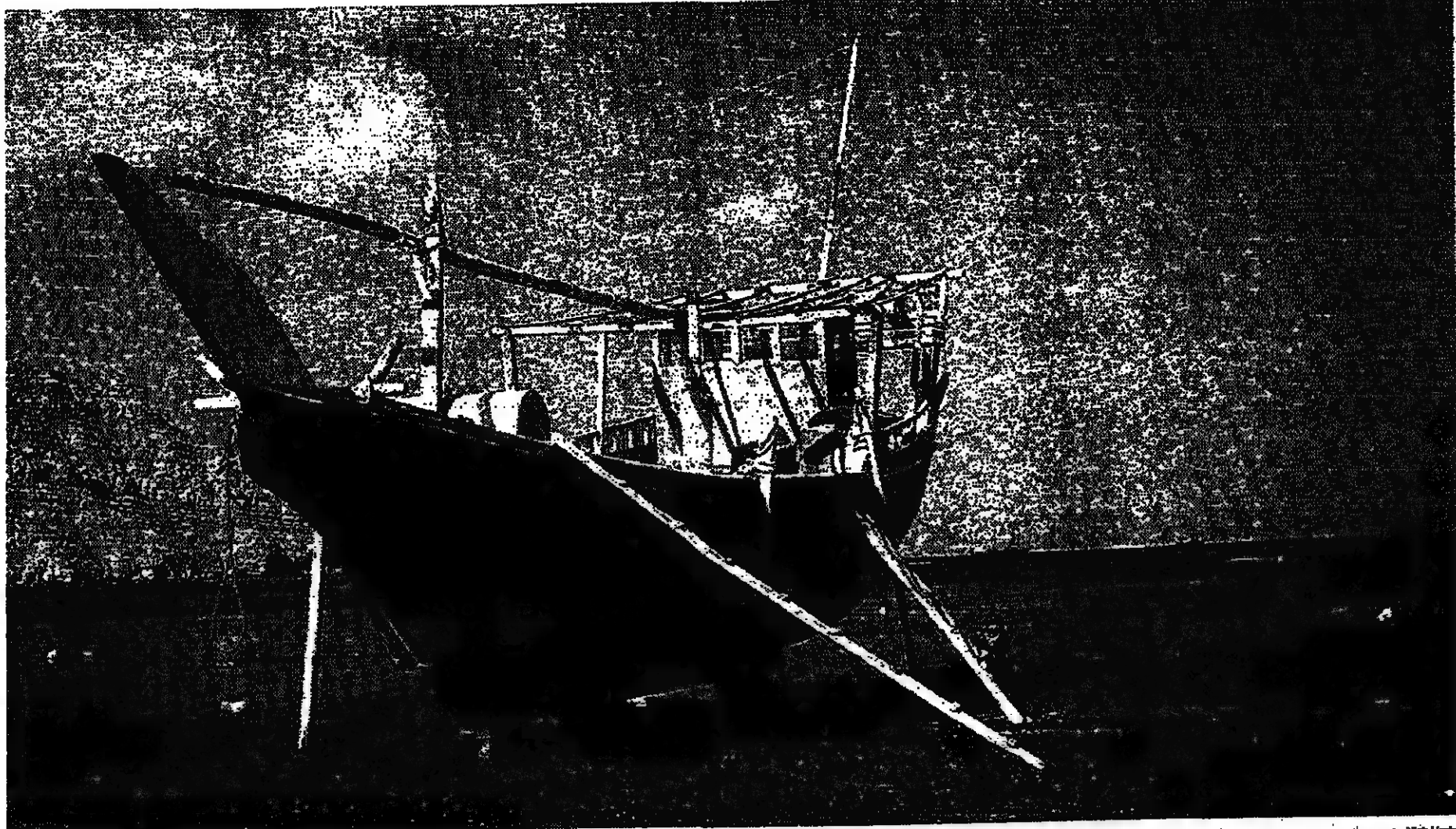
We landed on an airstrip in a deep wadi that ran down to the sea, and were driven into Khasab, the narrow road winding between mud-brick houses. It was Friday, and the call to prayer came from a mosque around the steep mountains behind the town.

Groups of young men in **ghummas** walked hand-in-hand through palm groves to the mosque, and women, covered from head to foot and wearing the **baraka**, a leather face-mask which leaves only the eyes exposed, stood gossiping in dusty side streets.

Dominating the beach was a fine mud-brick fort, which could have come straight from the pages of *Beau Geste*. It was built by the Portuguese in the early 17th century as part of a chain of posts which controlled the trade between India and Arabia through the Straits of Hormuz. Its cannons still point across the bay, where graceful crescent-shaped **booms**, the traditional trading and fishing boats of the Arabian Gulf, lie at anchor.

We drove that afternoon up through the wadi Khasab, making along the dry riverbed at the bottom of the steep dry hillsides, and then climbed a near perpendicular track to the summit of Jebel Al Harim, one of the highest mountains of Musandum.

We passed through villages of simple stone houses built into the side of cliffs, and children rushed out to wave as we passed by for few vehicles come this way. At the pass,



Musandum, Oman: a beached 'boom', or Arabian trading and fishing vessel

Over Oman and round the bend

Nick Haslam flies across mountain and desert to the isolated, ancient villages at the tip of the Gulf

a group of shepherds wearing cloaks of sheepswool, warming their hands around a fire, beckoned us to join them. Near the fire, drying on a frame, was the skin of a recently killed animal. I asked what it was. A **lynx**, they said. It had been eating their sheep. They also said there were leopards in the mountains. Below us, jagged valleys fell away in folds and a cold wind swept up from the Arabian Gulf.

We stayed at the Khasab hotel, and that night its bar filled with Omanis. Mohammed, a building contractor, told me over a beer that this was the only place in town where he could drink alcohol legally. "It is better," he said. "This way the young peoples cannot be tempted to drink." I nodded sagely,

knowing that Omani alcohol laws are liberal compared with those of other countries in the Arabian Gulf.

In the morning, under a sparkling sky, we boarded a 30ft-long **boom** and headed up **Khasab Ash Shamm**, one of the longest fjords in Musandum, which meanders into the mountains. The light was brilliant. Mountains ran into the sea. As if on cue, a school of dolphins broke surface around the boat and flying fish skittered across its wake.

A carpet had been spread under an awning, and we reclined, eating dates, and chatted to Masood, the captain. We were going to visit his village, Nadif, where preparations for a wedding were being made. The village, a cluster of white single-storey houses, stood at the top of a

shallow beach.

Accessible by sea alone, it had the tranquil air that only places which have never seen the motor car can have. We came ashore and were welcomed by village men who were rehearsing wedding dances in the shade of an acacia tree. Abdullah, the groom, came to greet us, and invited us into his house for coffee.

We sat cross-legged in the cool interior, and ate oranges and **har-esth**, a porridge flavoured with chicken. The wedding was two days hence, but excitement ran through the village. Little girls, their eyes made up with kohl, came to the doorway and peered coquettishly at us. In the courtyard, women with handsome **Semite** features were preparing food for the feast.

Abdullah told me that he had met his bride at another wedding, and that, unusually, she was from a different tribe. They had met only two or three times, and negotiations over the dowry had dragged on for months. Finally, Abdullah would pay her parents 1,500 riyals (nearly £3,000) in gold and fine clothes.

As we spoke, a **boom** from the bride's village arrived in some style, in a powerful speedboat bedecked with flags, to discuss final details of the wedding. Reluctantly, we left them exchanging greetings, and returned down the fjord.

Our last port of call had made its mark in English language. Rounding the last curve before the fjord ended in a spectacular cliff, we came to Telegraph Island. A relay station on the first cable to link London and Bombay, the island was manned for only five years, from 1864 to 1869. The high number of watchmen who were driven mad by the solitude and heat during their 18-month shifts were said to have "gone round the bend".

It was difficult to imagine, as we lay sun-bathing at anchor on a January afternoon with a balmy wind blowing from the mountains, that anyone could ever tire of such an enchanted place.

Nick Haslam travelled to Oman with Gulf Airways. Apex returns start from £790. His trip to Musandum was organised by Khasab Tours, PO Box 28050, Khasab, Musandum, Sultanate of Oman, tel: 660484, fax: 660366.

Golf's lizard hazard

A funny thing happened to me on the 12th fairway at the new Windsor Golf and Country Club, just outside Nairobi. My caddy had proudly claimed that the course was the best in Africa. When I suggested that there were some in South Africa that might rival it, he lashed out at me. Or so it seemed.

I saw a strange creature writhing on the ground. My caddy had reacted instinctively to a wild animal which had fallen from a tree and wrapped itself around my neck.

"You were lucky," said the caddy. "This very bad animal. If it had stung you it would have been bad for you."

Fuzzed, and slightly alarmed, I finished the round, and gave my caddy an extra tip for his heroic action. When I tried to discover the creature's identity, I was met with laughter by Charles, the club pro. "That," he said, "was a harmless chameleon." For some reason, Africans are scared of chameleons.

Unlike the nearby course at Muthaiga, whose fairways have been attracting golfers since the 1930s, Windsor is almost brand new, although you would not guess it from your first glance at the course, which threads its way through coffee farms and forest.

On a clear day you can see the snow-capped peaks of Mount Kenya. The main hotel/club building seems to have been constructed with a built-in turn-of-the-century patina. The designers have made use of existing trees rather than planting new ones. And, this being Africa, colourfully-clad women can be seen every morning weeding out long grass from the edge of the fairways.

British Airways Holidays' golf brochure features a seven-night trip that includes five nights' accommodation and breakfast at the Windsor Golf and Country Club, plus a five-round of golf per day, plus two nights' full board at the Kiunga Tembo tented camp in the Masai Mara with three game drives per day. Cost from £264 per person. Reservations: British Airways Holidays, tel: 0292-613311.

Arnie Wilson

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TRAVEL

Three miles into the African sky

Nicholas Colchester suffers as he walks to the summit of Kilimanjaro

February is supposed to be the dry season in Tanzania. Yet Kilimanjaro, Africa's highest mountain, remained shrouded in ominous mist as we drove to its base in Kenya. Only when we reached the lowest slopes did the old volcano reveal its shoulder.

We piled out of the bus and gazed up at it. The ridge of ice and black lava seemed miles up. It was in fact three vertical miles where we stood. What on earth had persuaded 12 of us that they could walk up it?

The answer was Alan, Pierre Brain, a 50-year-old French insurance executive. In normal life, he limited himself to packing up his car and driving to the beach. Now he had coaxed 11 of them, including an Englishman, to climb the 19,341-ft crisis mountain Kilimanjaro in style.

Dressed more like a golfer than a mountaineer, Jean-Pierre thrust his jaw at the summit, as if wondering why a two-ton would be the trick. The mountain was still there, and stayed hidden from us, but the odd glimpse, for the next four days.

It was not a Sunday evening. By the following Thursday night we of the three were still below us, and our guides had been the subject of people about to mount the scaffold. It was midnight. We were being given "early morning tea" in tents perched on a ridge at 16,000ft up.

The heavy rain that falls on Kilimanjaro in February had been replaced by the driving snow that rarely falls on upper slopes, according to the notes on the Ordnance Survey map. In the ghastly light of miners' lamps strapped to our foreheads, we pulled on every stitch of clothing we had, and struggled, sick and white-faced, out into the night.

Our capable French tour-guide, Eric Christin, had already told us what to expect. "We will climb steeply and slowly for seven hours. We will stick together behind the Tanzanian guide in one group. This will require will-power. Some of you will vomit. If you really cannot go on, tell me and I will send you down with a guide."

The chain-gang set off, at a pace so slow that we joked about it at first. We climbed dismally, inching our personal circles of light up a never-ending snow-slope of 45 degrees. The huge volcanic cone of Kilimanjaro remained invisible above and below us.

of our lungs, one breath per step. The French chit-chat - a mixture of the heavy slopes - died. This purgatory continued, until we reached, for roughly the first time, the Atlantic.

Such a trial permits only the lowest form of thought. An auctioneer, Pierre Dizon, furnished and refurbished the mountain. I murmured "Stalingrad, then as bad," like a mantra, remembering the battle throwing up what fun this really was.

The reward came at dawn. The tip of the



the mountain that night, just one mile bled with us to this true summit. Our heartiness verged on the fanatic. Two of the party collapsed on the return march around the mountain.

But then, to our great relief, it became clear why Kilimanjaro had to be climbed at night. The equatorial sun, grilling down on the top of the mountain like a great, barely visible mound of wind slash and black volcanic sand.

The three guides, dressed in white, led us up the mountain. The great, well-scrubbed mountain. The rest of us staggered forward in pursuit, leaving 4,000 hard-won feet in just over an hour. We reached the highest world refuge, Kibo Hut, at 14,000ft and collapsed on to grubby bunks for a brief dose. But our guide was waiting. The summit had to be reached for another 14 shattering miles before we reached the peak.

After 11 hours on the march, we were barely coherent. Yet we had "done" Kilimanjaro. This epic day was the high-point of a lifetime assault. We had avoided the normal, much-trodden Marangu route up the mountain and had taken the more beautiful, but more difficult, Machame route. This required 1000ft and 30 porters. The approach was the most difficult of Nepal.

The Kilimanjaro's mountain of snow - from tropical groves, through rain-forest, through a savanna that would delight any Japanese temple-gardener, through Afghanistan into the Himalayas. This is because Kilimanjaro rises abruptly up out of a vast plain.

Though by no means the highest, it is one of the tallest free-standing mountains in the world. It makes its own, relatively benign, weather, and its own flora, including peculiar Senecac trees, which populate the upper slopes like groups of green-haired muppets.

The experience was not cheap. Our well-organised 10-day tour cost £1,000 per person, including two days recovering in Tanzania's game-parks. Tips to the guides and porters, plus entry fees, cost another £200. The flight cost £500. And town-dwellers like us had to spend at least £200 each buying cold-weather clothes, sleeping bags and so forth. The only mountaineering equipment needed was Diamox, a pill that stops altitude sickness.

Nicholas Colchester is editorial director of The Economist Intelligence Unit. Eric Christin, Nature Discovery, PO Box 10574, Arusha, Tanzania, fax: 255-27-8406.



Climbers rest on the way to Kilimanjaro's Uhuru Peak, the highest point in Africa

Glyn Oliver

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BOOKS

Bilious brew of theatrical passion

After reading this 'vivisection' of the theatre Richard Eyre feels a director's life is safer than a critic's

At a certain point in your professional life, you can be spotted in the corner of a bookshop, engaged in a solitary vice. You cannot stop yourself. You lift a copy of a newly published book of memoirs, and, after looking guiltily about you, turn to the index to your name. You face the shame of exclusion, or the shard of ice through the heart provoked by a slighting mention of yourself. Mercifully, Michael Coveney's "vivisection" of live theatre gave me neither sensation - which may not be a recommendation to some people.

Christopher Hampton's perspective of critics is that one should view them as lampposts or dogs, but I have never developed such a robust diffidence; I am even guilty of some backsliding curiosity. In the past year I have read three books by theatre critics about their profession: either they have developed a sense of humour to unburden themselves of their trade, or publishers have sensed

that, like me, lampposts cannot resist reading about themselves. Irving Wardle of *The Independent* on Sunday has written about the noble art of theatre criticism in a characteristically thoughtful, dogged apologia pro sua vita; Michael Billington - *The Guardian* - published a collection of a thousand encounters with pen and pad, *One Night Stands*, an excellent history of a thousand and one nights of theatrical passion; now Michael Coveney - *The Observer* - has given us an enjoyable glimpse behind the front lines into his professional (and private) habitat.

Coveney describes his book, correctly, as a geological survey. He delves into the stratification of the theatrical landscape, deftly stop-

ping off on the way at his childhood, adolescence, and birth of his career. Invariably, childhood is the most interesting part of a memoir: the writer is unformed and uncorrupted by the desire to impress. The child is always the father of the man and in Coveney's collection of autographs, programmes and handbills, acquired with the voraciousness of the train-spotter, one sees the remorseless enthusiasm for theatre which is essential for any successful theatre critic. Only the optimism of a true fan can sustain so many nights of travelling in hope and arriving in disappointment.

The theatre critic's life is a solitary one. The aisle may be full of noises, but they seldom seem to be

THE AISLE IS FULL OF NOISES

by Michael Coveney

Nick £12.99, 209 pages

comradely greetings. The corps de critiques is not a clubbable lot: they sniff at each other like marking out their territory, and Coveney's often acerbic wit is brought to bear on his fellow critics, some of whom have given up the trade, and some he devoutly wishes would do so: he is engagingly bilious about the absurd pretensions of Bernard Levin, and the lofty disdain of John Gross.

I am not sure that his current colleagues will thank him for his

sometimes droll, and often acidic, observations on their idiosyncrasies (varied), dress sense (poor) and their manners (bad), but I, at least, was grateful for his chastisement of those who gracelessly sit on their hands during curtain calls, or run self-advertisingly for the exits as if their trousers were on fire.

This book is essentially a collection of good and sometimes provocative observations supplied by the calendar "a year of only average significance, but the same could be said of any other theatre year". The topics covered embrace violence in the cinema, multi-ethnic casting, the work of Robert Lepage, the Edinburgh Festival, New York theatre, Sarajevo, and the contested merits

of the plays of David Hare and the music of Andrew Lloyd-Webber. Coveney is spirited in his championship of a medium often mocked by his fellow journalists, and is not afraid to fight for the serious assessment of theatre by the press who, by reviewing less and abandoning over-night notices, have let criticism dribble into a stream of previews, and have diminished its power to influence by playing into the hands of the PR clique.

The essays are laced with personal anecdotes that are often funny, but sometimes veer rather less towards *La Recherche du Temps Perdu* than towards *Jennyfer's Diary*. I do not know how interested I am in Coveney's journey with the RSC's chauffeur, or

his jogging encounter on Hampstead Heath with Max Stafford-Clark but I much enjoyed his description of getting drunk during a water shortage in Saint Leger and exposing himself unwittingly to his mother-in-law, and his encounter with Mike Leigh on another small holiday island. He flies, star-struck, with Peter Brook: parties with real royalty at Buckingham Palace, with showbiz royalty at Cameron Mackintosh's house and Andrew Lloyd-Webber's stately home, and stuns it in Hammer-smith with commoners-like myself.

Being a theatre critic involves sitting, night after night, writing in the dark. It is a job, like any other, with its routines, its trials, its pleasures and its occupational hazards - getting abused by John Galsworthy, mocked by Neil Sherrin, and panned against the wall by an indignant Juliet Stevenson. Michael Coveney convincingly conveys enthusiasm for this way of life, but I think I'd stick to directing: the worst that can happen to you is a bad review.

Hong Kong through a mandarin's eyes

Simon Holberton on an account of the Sino-British pact

It is rare in Britain to publish civil servants in the past decade. Clive Ponting, a former senior security department official, wrote a book after he was sacked for his role in the sinking of the *Belgrano* in the Falkland War and fought a government attempt to convict him under the Official Secrets Act. Now, for some reason, he is with reputation, and consequently, a most unlikely and considerably more visible Whitehall figure joins hands with Ponting. He is Sir Percy Cradock, a two-time ambassador on foreign affairs, head of Britain's secret intelligence community for most of the 1980s, and former ambassador to China and East Germany.

Sir Percy - who retired from civil service in May 1991 - first flickered in the public eye in 1984 that year when he appeared on the BBC's *Newsnight* programme to denounce British policy on Hong Kong. There he vigorously criticised the policy of accommodation with China and in an *Evening Standard* article which he, Sir Percy, had written a decade earlier when he was still an ambassador at Beijing. What brought this man from the background to the foreground of public life and onto the *Newsnight* screens was the accusation, published in *The Times*, that British policy pre-Patten had been pusillanimous. Sir Percy was the author of that policy, in his hand that guided negotiations which culminated in 1984 with the signing of the Sino-British Joint Declaration - a treaty in which China agreed to return Hong Kong's way of life for 50 years after 1997, the year of the hand over.

Experiences of Sir Percy, thinly disguised as a memoir, is his account of that strategy and of subsequent British policy until his retirement. As a memoir it is almost wholly unrevealing of the author, except for his inability to resist a certain fussy, "mother knows best" intolerance of those who do not share his views. The first 158 pages of the book are Sir Percy's account in China as a

British diplomat during the 1950s and 1960s. Interesting in his colleagues as they may be, they add little to our understanding of China under Mao or Deng that could not be found elsewhere.

It is, however, the last 100 pages for which Sir Percy will be remembered. Until 2008, when the documents of the period will begin to become available, this is likely to remain the only first-hand account of Britain's Hong Kong diplomacy by so central a participant. This diplomacy began in 1979 with the trip to Beijing - when Cradock was ambassador - by Sir Murray MacLehose, Hong Kong's then governor, where the issue of Hong Kong was first raised formally; to the author's last official trip to the Chinese capital on the eve of his retirement as foreign policy adviser in May 1992.

IMPERIALISM OF CHINA

by Percy Cradock

John Murray £19.99, 324 pages

The main argument supporting the narrative is that the lease of New Territories was due to expire in June 30 1997, making the continuance of British rule at the end of the century untenable. Furthermore, Britain, which had used military power to wrest Hong Kong from a decaying imperial China 150 years before, did not possess the power to retain its colony in the face of resurgent and unified Communist China.

The policies pursued - characterised by "patient private negotiation" - produced the 1984 Sino-British Joint Declaration, and, after the Tiananmen massacre of June 1989, agreements to increase democracy in Hong Kong and secure a new airport. As befits a former Cambridge law don, Sir Percy argues his case persuasively. But in the end he fails to convince. The devil resides in the detail and no more so than in the case of Hong Kong's transfer to China. Sir Percy manages (to use the Foreign Office favourite verb) to make the most awkward parts of the story.

In particular he avoids dealing with the uncomfortable fact that Britain remained in China the inter-

pretation of the Joint Declaration as it had accepted the treaty. This is certainly the case where Hong Kong's political development is concerned - the subject part of the Joint Declaration.

Sir Percy and Chairman Sir David Wilson simply accepted Peking's stance on what constituted "convergence". This amounted to doing nothing to Hong Kong's political development with which the Chinese might disagree. It was, in fact, the time that there was no point, and much danger, in developments that would be abruptly terminated on 1 July 1997," Sir Percy writes.

Recognised by whom? Certainly not much in Hong Kong opinion. After the signing of the Joint Declaration Hong Kong witnessed a rapid introduction of democratic elections. According to his knowledgeable source, the policy of convergence was a failure. As Xu Jiatun, former Communist party chief in Hong Kong, wrote in his own memoir, in 1984 "the Chinese government decided to adopt the 'convergence' strategy in a bid to maintain the pace of political reform."

Sir Percy accepted this from the outset yet, like so many of accommodations Britain made with China at the time, it was only admitted afterwards and in this case not until 1988. This followed one of the more shameful acts of British colonial rule - a sham poll of local opinion to determine popular feeling towards democracy.

Sir David Wilson, Sir Percy's successor as governor, conducted the poll which, because of the complexity of the questionnaire, ended up sowing confusion rather than determining truth. A signature campaign conducted in parallel, which collected 250,000 names in favour of the early introduction of democracy, was rejected because it was not presented on the correct form.

Little wonder that China got such a shock when Chris Patten arrived. Early in his career Sir Percy developed Cradock's First Law of Diplomacy. This held that it was not the other side you had to worry about, but your own. His memoir is an extended elaboration of this principle in ways he could not begin to

Fiction
Family feuds

Relationships between fathers and daughters are at least as complex, yet less frequently explored, than those between mothers and daughters. This is partly because of the long hegemony of Freudian theory, which restricted discussion to the girl's supposed penis envy and ignored the father's potential as a role model for daughters as well as sons.

Now Marilyn French, author of the feminist novel of the late 1970s, *The Women*, has plunged deep into the heart of the neglected territory with her new novel, *Our Father*, which brings together four very different women who gather round the deathbed of their dying parent, one of the richest and most powerful men in the US.

The eldest daughter is unmarried, a fiftysomething economist and leading figure in the Reagan administration. The second is a professional wife, married three times but now husbandless, deeply in debt. The third is a housewife; the fourth the illegitimate offspring of the dying man's Mexican housekeeper.

It should by now be apparent

OUR FATHER

by Marilyn French

Harcourt £14.99, 300 pages

LOST CHILDREN

by Maggie Gee

Fleming £14.99, 320 pages

that French's novel is designer fiction, artlessly displaying a choice of female types with whom to identify. Each woman has a different mother and a different grievance, not enough attention from Daddy or too much of the wrong sort; inevitably, two of them were sexually abused by the patriarch and another turns out to be a lesbian. They sneer, feud and spring-clean the neglected mansion in which he spent his declining years, talking tough but entirely failing to conceal the novel's marshmallow sentimentality and moral slipperiness.

Our Father cannot quite make its mind up where it stands on wealth and power, at one moment mocking the moves of the very rich and a moment later fawning on the very same people. It is the author who seems to be most in awe when someone takes a condolence call and announces improbably: "Margaret Thatcher, deeply concerned".

The English novelist Maggie Gee has also put the family under the microscope in her novel, *Lost Children*. Everything falls apart for Gee's protagonist, Alma, when her teenage daughter runs away from home. Alma's reaction is to boot out her dreary husband Paul and take a job with an estate agent in the London suburb where she has lived all her life. She even toys, somewhat ineptly, with the idea of taking a lover.

Like Marilyn French, Gee clearly wants her novel to be a war-and-all dissection of the family. We hear about Alma's childhood, her inability to please her mother and her fear of her loud, exacting stepfather. There is a hint of sexual abuse, which emerges when Alma and Paul attend a couples therapy session at Belate.

The novel book is written in flat, dreary prose interspersed with quasi-philosophical ramblings which reveal that Gee, like French, has a heart of pure caramel: "What if we are the kind of creature we dream of being, finding the grey between so badly married, so badly alone a child again, straight and slim, doing handstands in the dandelions down the green back garden?"

Both novels have as their theme the idea that we are all, deep down, wounded children. "We never stop being babies," she demands a character in *Our Father*. Gee's authorial voice is much the same sentiment: "Myself, myself, my mother, my father. Still young, still potential. All the lost children." Having waded through this double dose of treacle, what this grown-up reader wanted to shout was a loud "count me out".

Joan Smith



"Tobias and the Angel" by Pollock: from Peter Lamborn Wilson's book "Angelic Messengers of the Gods" (Thames and Hudson, £7.95 paperback, 88 pages). The winged messengers, protectors and sometimes punishers of the great religions of the world have provided ideals of beauty and visions of truth which have inspired poets and artists throughout history.

On with the Game

J.D.F. Jones follows the fortunes of spies in the east

Great fiction creates its own world of history. The Russian conquest of the Ottoman Empire in 1916, is familiar to most of us, not from the war histories but from the final pages of *Greenmantle*, and we shall always have that Sandy Arbuthnot had something to do with it.

John Buchan, one of his finest tales out of the clash of four empires - Turkish, German, British and - in the "Great Game" that was played in the Near East, from the bloody battles on the Tigris Front, throughout the First War. "There is a dry whistling blowing through the East..." he wrote, in the words of Sir Walter Bullivant, "And the wind is blowing from the Indian border." "Holy War" is coming out of the West. The Germans know, and that is the word with which they are going to astonish the world."

End of fiction. Sir Peter Hopkirk, *Wilson* (1991) about the Great Game - the Secret Service of Constantinople - tells the true story of Kaiser Wilhelm's extraordinary attempt, posing as a convert to Islam, to launch a Holy War which would drive the British out of India and their Russian allies out of the Caucasus and Central Asia. The Kaiser believed that Britain's empire might be vulnerable; he ordered his agents to "incline the entire Moslem world against this hateful, lying, unscrupulous nation." *Great Game* is Sir Peter Hopkirk's and Buchan was to succeed Kipling in

finding romance and drama in this new chapter of the Great Game, this time between Germany and Britain.

The German *Drang nach Osten* (Drive to the East) for much of the century, when it began to be called that, was the eastern thrust of the policy of the Ottoman empire might become "Germany's India." The German power in Constantinople at Enver Pasha, with his German sympathies and his own dream of a new Turk-

ON SECRET SERVICE EAST OF CONSTANTINOPLE

by Peter Hopkirk

John Murray £19.99, 384 pages

ish empire in Central Asia, which gave alarm in London and Delhi. If the Germans could control a "Holy War" into Afghanistan, the threat would become acute.

Hence the importance of the Russian cavalry charge on Erzurum: it was the first Allied victory of the Holy War, especially valuable after the humiliations of Gallipoli and the defeat in the siege of Kut. *Greenmantle* correctly focuses on the probability that Erzurum fell as a result of the betrayal of the British - a theory strengthened by the testimony of T.E. Lawrence (he became a friend of Buchan). The consequence was that the Turkish German advance on Afghanistan faltered and failed, while in 1918 the Arab Revolt broke out, with much work for the same T.E.L. (This book is on the German side of Constantinople, excluding the Levant.)

Indeed, Hopkirk's story falls into two parts. After the above, he turns to the bewildering

intrigues in Turkestan and the Caucasus between 1916-18, the detail of which will be obscure to most of us. There is a fascinating case of character. Among the German agents were Captain Oskar von Niedermeyer and Wilhelm Wassmuss, whose job as the German agents was eventually led to the "Zimmerman Telegram" which was directly responsible for bringing America into the war, among the British opposite numbers there were Captain Edward Noel (the ringer for Sandy), the Highland Chiefstain Major Alexander Ramsay MacDonald, and Captain Reginald Teague-Jones, the young British spy who, identified with the character of the British Commissioners at Erzurum in 1918, was obliged to spend the next 70 years of his life under an alias.

Four empires were brought to a head in these years - the German, the Austro-Hungarian, the Turkish and the Russian. The Kaiser died in Dutch exile in 1941; Enver Pasha in 1922, leading a Bolshevik cavalry charge against Bolshevik machine guns; Teague-Jones in 1938, as "Captain Sinclair", late of MI5. It is a remarkable story.

It has to be added that Peter Hopkirk, who has made the Great Game his special subject - this is his fifth volume on the subject - does not write with the spellbinding skill of an Alan Moorhead or a Jan Morris, but he does a John Buchan. His prose is duller than the tale deserves, he sets pieces and the drama of his adventures in the regions of the world through very happily.

Passionate letters with poetic licence

Teddy Bear was his mascot, preservation of England's green and pleasant land with all its Victorian buildings still standing was his passion. Contemplation of idyllic moments in town or country was his passion. Contemplation of death was his trump card. He played it over and over again in his poetry. But what was John Betjeman really like? With the publication of a volume of his letters up to 1951, we have a chance to discover.

While he was engaged in *Four Love Letters* he was the paying couple to Wilhelmine (Billa) Cresswell, who married Roy Harrod. Betjeman continued to love the latter during his engagement to the former; and after he was married to Penelope we have many letters here in which the poet lets his passionate feelings about other women rip. He seems to have had a poetic licence from his friends to write to his wives in the most intimate of ways. The poems about Myfanwy and others were the pure love letters.

There are few letters to his own wife and those are either partly or wholly in the stage dialect of a country yokel ("O! how yew...") rendering them difficult to interpret. Why should he wish to play about something so important? The tension of what was always, rather, a stormy marriage, between a breaking-strain Betjeman to Roman Catholicism and Betjeman, in spite of ruthless pressure from Evelyn Waugh, stands firm in the Anglican fold. That was in 1951.

"It was a wonderful" his daughter, Christina, has written explaining. "I saw the beginning of JB's being able to love his mother."

Such arrogance is fortunately rare. Most of the time Betjeman was an amusing high-spirited and charming letter-writer, an energetic correspondent even when burdened by a full-time job, or working as a book-reviewer of trashy books, on the Daily Herald. His letters are full of jokes and ad hoc rhymes frequently embellished by little drawings, happily reproduced in the book. He is teasing, punning, letters purporting to be from people he had invented or real ones and it is sometimes difficult to distinguish the spoof from the genuine article.

Aspects of his career may be traced in *Letters* to his individual correspondents - his poetry in those to Jock Murray, his early broadcasts in those to George Barnes of the BBC, his work for the Shell Guides in those to Jack Beddington, the innovative publicity director, and to John Piper with whom Betjeman closely collaborated on the *Shell Guides*. Betjeman would have been in trouble over the most famous of them. One, accompanying a manuscript returned to its author, amounts to an essay in reading-list on poetic technique. The arrival of an envelope penned by Betjeman (he insisted it should be pronounced ON-velope) must have given anticipation of pleasure to the addressee.

Anthony Curtis

ARTS

Curtain rises on the millennium

The arts world is queueing up to dip into the lottery financed honey-pot, says Antony Thorncroft

The Royal Opera House, Covent Garden, would like \$45m to bring its back stage facilities out of the Dark Ages while the Tate Gallery is thinking more in terms of \$50m for its new Museum of Modern Art. The South Bank Centre has made a bid for a modest \$40m to smarten itself up and the museum quarter of Kensington, including the Royal Albert Hall, could quite easily absorb \$100m in its grandiose plan, designed by Sir Norman Foster, to become the arts and educational centre of the world.

These are London's front runners for millennium money, the lottery financed honey-pot designed to give the nation permanent reminders of 2001. Throw in the supporters of a dance house for London, and a project for a big screen cinema at Waterloo, and it becomes obvious that there will be many disappointed candidates.

The millennium is almost seven years away but already the contenders for its largesse are jostling for attention. The government plans to exploit January 1 2001 to the full. It has set aside a fifth of the revenues raised by the National Lottery for a Millennium Fund, which will both celebrate this trick of the calendar, and leave lasting memorials for the pleasure of future generations.

Just how impressive they will be depends on the gambling instincts of the British public. The most cautious estimate, favoured by Peter Brooke, secretary at the department of National Heritage and the minister responsible for launching the Lottery, anticipates annual turnover of £1.5b, of which around 25 per cent is to be split between five good causes - the arts, sport, heri-

tage, charities, and the Millennium Fund. This would leave the fund around £75m a year to distribute. Optimists think Brooke is too conservative. They estimate that the lottery could build up to at least £2b a year, giving the fund over £150m. The seven Millennium Fund commissioners, who along with Brooke and Michael Heseltine will decide how the money is spent, have now been chosen. They are a carefully mixed group, with Lord Dalketh based in Scotland, Sir John Hall in the north east, Robin Dixon in Northern Ireland, and so on, with journalist Simon Jenkins supplying the metropolitan touch. In the summer they will issue guidelines for prospective beneficiaries. Early next year, when the lottery comes on stream, they will announce the chosen projects.

The commissioners plan to be independently minded and relish their freedom from government interference. But Brooke, who chairs the fund, has admitted to a few prejudices which might influence their thinking. For a start millennium projects must be spread around the country. Brooke also wants them to be limited to half a dozen, perhaps eight, major developments which will leave a real mark on the 21st century.

The commissioners are unlikely to be too impressed by the barrage of arts applications. As well as the London based projects, Cardiff hopes to receive around £30m for an opera house on its revitalised Bay; Glasgow expects that, as the recently appointed home of the planned Museum of Scottish Art, it is in the frame for roughly the same sum; the Salford Opera House is up and running; and there is a plan to

convert the Baltic Flour Mill on the Tyne into a museum of contemporary art for a modest £10m.

Although there will be undoubtedly be cultural beneficiaries from the fund, the commissioners are keenly aware that their money comes from the bets of the man in the street and they want to spread the benefits fairly. Arts organisations may have been the first to throw their hats in the ring but many punters will regard sport as equally in need of new facilities and will favour Manchester's bid for a national sports arena. And what of the villages and small towns away from the big cities: how will the buyers of lottery tickets there benefit from the fund?

The commissioners are open to ideas. They could look kindly on a major engineering project, a new bridge across the Forth, the Mersey, the Avon, or the Thames. They might well want to stimulate the nation's engineers and scientists with a millennium scholarship fund. Environmentalists are lobbying for a new national forest, or perhaps a complete pathway round the coast. The nation's greatest heritage site, Stonehenge, could finally receive the protected setting its fame deserves.

There is also the idea, from the Royal Society of Arts, for a Festival 2001 which would encourage 2001 initiatives at grass roots level. The RSA was the force behind the Great Exhibition of 1851, and the Festival of Britain a century later, and its plan to let ordinary people achieve their dreams will be taken seriously. The 1851 Great Exhibition gave the nation the South Kensington muse-



This fine capriccio by Canaletto of the Scuola di San Marco in Venice sold for £2,201,500 at Christie's yesterday, way above its £1.5m high estimate. It sold to the London dealer Hazlett Gooden & Fox who will put it in stock. The chances are that it will eventually go abroad. For around two centuries it had been in the possession of the Neave family and was sold by the executors of the late Sir Arnold Neave. When its money from the National Lottery starts to come through next year, the National Heritage Fund could well attempt to keep similar paintings with strong British links in the UK.

ums; the 1851 show, the South Bank arts complex. The RSA expects that the grass roots initiatives will attract money locally and be topped up by the fund. This is also the thinking behind Covent Garden's redevelopment proposal, which has been promised multi-million pound donations from Lord Sainsbury and Vivien Duffield, and that of the Tate Gallery. Brooke has said he will favour projects that can prove their popularity by attracting money from supporters. London cannot walk away with

much more of the funding than its population deserves, plus perhaps a little more as the nation's showcase, and already some London based projects are planning life without millennium money. These alternatives also tend to revolve around the lottery, but involve the slices of its revenue to be distributed to the arts, by the Arts Council, and the Heritage, via the National Heritage Fund. Covent Garden and the South Bank are eyeing the arts pot, although the belief is that the Arts Council will look after the smaller, under £10m, development projects.

The Heritage Fund might consider the Tate, or even Albertopolis within its remit. There is also the possibility of joint applications. The Tate Gallery should announce this month its preferred site for its new museum, with the abandoned Bankside power station on the Thames the front runner. But if the vacant spot alongside the South Bank was chosen instead there could be a joint regeneration scheme for this key site with the South Bank Centre, stressing its importance as the first glimpse of the UK for travellers

arriving at Waterloo Station, the rail arrival point for Euro Tunnel. The commissioners have plenty of options but not much time. Their task will be completed at the end of 2000, when, in theory, their fifth of the National Lottery revenues gets re-distributed among the four remaining worthy causes. They will want to get the major projects underway next year. But, given the national fund's for a gamble, it is quite possible that by the late 1990s they will be receiving larger tranches of money than they currently anticipate.

Pirouetting out of fashion

The ballerina seems to be a dying breed, laments Clement Crisp

It is rather like calling a private soldier a general. When a dancing girl hits the headlines, the perkier journals invoke the word "ballerina" - as in "Ballerina in Royal love-nest mercy-dash". The facts (to coin a phrase) will reveal that the "ballerina" is no more than young Tiffany Flint from the corps de ballet.

But such is the resonance of this glamorous word that it has to be used to entice the reader salivating. And, like *gay* and *model* and *democratic*, it is now almost meaningless. In those curious columns in the papers which tell us of people's birthdays every female dancer becomes a ballerina, and one, plainly in the grip of *dementia praecox*, annually declares herself "prima ballerina assoluta". But "ballerina" still has meaning, as an honourable and thrilling identification of worth and artistry. Most ballet companies now call their leading dancers "Principals". One of the reasons I love the Paris Opera is that its first dancers are identified as *étoiles* and are starrily treated as such. Not so long ago, *étoiles* would refuse to share choreography with artists of lower rank in the elaborate Opera hierarchy, and I hope the female *étoiles* still have their own splendid dressing-rooms. (One that Makarova - now there was a ballerina! - used as guest at the Opera was like a suite in a good hotel.) Happily, there still are authentic and radiant ballerinas to command our admiration, just as, in the heyday of ballerina-dom, their ancestors ruled the 19th century stage in triumph, diamonds and a retinue of admirers. Then, the trappings of Grand Dukes and

myriad bouquets (concealing gems, of course) were an extra manifestation of their identity as motive force for the ballet of their age. The old repertoire we still cling to - the Petipa spectaculars - were hymns to the ballerina principal: without that glittering technical and emotional presence at their heart, they lacked focus. Today they look pointless if they are not given the same blaze of interpretation. And such is the popularity of the classics that far too many companies set out in these vehicles, with nice - oh, so nice - young women dancing the leading roles, and expect the public to accept them as Dalmians rather than the Robin Reliants they all too plainly are. It is a confidence trick played on the public, a duck-pond pretending to be Seven Lakes.

I have lately been watching two of today's most compelling ballerinas, rightful heirs of the great tradition - Ludmilla Semenyaka, touring as a guest with Scottish Ballet, and Elisabeth Platel of the Opera. Both exemplify the idea and ideal of a ballerina. Both are products of systems that know how to nourish this increasingly threatened breed. With Semenyaka's dancing we see the wisdom and the noble aspirations of Russian ballet. Exquisite physique has been refined by Petersburg training; in her performances as Aurora we see the grace of technical means and formal dignity that comes from rare talent enhanced by study with the greatest ballerinas of earlier generations - Semenyaka, at the height of her powers, still consults Ulanova and Semenyova. Thus the disciplines of classicism free the dancing body and the interpretative soul.

In Platel's art every virtue of the French style is plain: schooling that insists upon utmost elegance of statement, upon sweetest technical mastery, upon chic that polishes



Ludmilla Semenyaka, one of the few rightful heirs to the great ballerina tradition. Dee Cornway

every movement, upon harmonies that are the heart of academic dancing. There result performances with a clarity and purity which tell of dance unalloyed and radiant, a parure of diamonds.

Both artists have colleagues no less securely and splendidly ballerina. Training in Paris, in Petersburg and Moscow, its historical precedent and present understanding, seems to inspire generations of grandly gifted young women. Alas, I can think of few other worthy candidates for the ballerina accolade, though the first among them must be the lustre, divinely musical Kira Nichols with New York City Ballet.

Is the ballerina a doomed species? The box office knows that the public still has the appetite for these stellar figures, and while the old repertoire survives - despite the attentions of Frankenstein producers and designers - their place is secure. But the ballet-

na's world is shrinking, as less and less of today's choreography challenges or justifies her.

The last choreographer to understand the ballerina was Sir Kenneth MacMillan. *Romeo and Juliet*, *Manon*, *Anastasia*, *Isadora* all extended the range of the three-act ballet, and hence of the ballerina's powers, and it was significant that MacMillan's final big work, *The Prince of the Pagodas*, identified the ballerina-potential of young Darcey Bussell, both on immediate choreographic terms, and in references to *Sleeping Beauty* and that classic's significance for the history of the Royal Ballet and its erst-while ballerina, from Fonteyn onwards. That MacMillan's three-act works are sought and staged throughout the world suggests how great is the public's appetite for works which show a ballerina in glory.

She will survive; while ballet survives, she must survive. There is a duty for ballet com-

Not Wilde about Lady Windermere

One of the most welcome features of British theatre in the 1990s has been the number of big productions of Oscar Wilde's plays. *An Ideal Husband*, *A Woman of No Importance*, *Salome*, and, of course, *The Importance of Being Earnest* have all been seen in the West End and on tour. Now, to complete the set of Oscar's five main plays, the Birmingham Rep has launched a new production of *Lady Windermere's Fan*, his first theatrical triumph. Philip Prowse (who staged the RSC's *End of Woman of No Importance*) directs and designs. The staging will tour, and may reach the West End.

Several of Wilde's plays deal with the mysteries of lost parents or children; but again, his treatment of this theme is more daring in the early comedies. In *The Importance*, he keeps us in standard suspense about Jack Worthing's birth until the end. In *Lady Windermere* and *Woman of No Importance*, however, he lets us into the secret earlier on, for he has more important matters than suspense on his mind: he wishes us to attend to how these characters behave with their several secrets.

Philip Prowse, however, takes a different line. He has not only staged *Lady Windermere*, he has adapted it fairly considerably. In particular, he tries to keep the audience from knowing the mystery of Mrs Eryllyn's connection to the Windermere until the last act. I cannot say I care for this device. The beauty of Wilde's last act should be in the delicacy with which we see the Windermere and Mrs Eryllyn

negotiating the several problems of which we are already aware. Here, however, everything is put off-balance by the delayed revelation of Mrs Eryllyn's identity - which makes Wilde's play a much more conventional affair. This staging, as always with Prowse, is strong on glamour. But the more of Prowse's work you see, the more samey it becomes. Black, gold, and red; he cannot keep away from this scheme, even though he dilutes it with paler colours for the Windermere's home.

Everyone's deportment is beautiful, which really helps the play. But *Lady Windermere's* party is stony and dull, and the supporting characters wield their witticisms not like stilettoes but like bludgeons. Wilde was certainly prepared to criticise wit and to show it discomfited - a rare feat in which he resembles Shakespeare, Molière, Congreve, Jane Austen and almost no one else - but why has Prowse edited away some of the party's witty small talk?

In these conditions it is impossible for the leading five actors to present the full dimensions of Wilde's play. Francesca Annis is nonetheless a fine Mrs Eryllyn, marvelously elegant in voice and per-

son. She emphasises the sinister "other woman" effect that this character makes at first, but she plays her big scene with Lady Windermere with surprisingly quiet eloquence; and the different emotions that she keeps beneath her perfect social veneer become superbly apparent in Act IV. And Frank Middlemass, as her devoted dupe Lord Augustus, is so natural that wherever he is seems the most convincing part of the room.

Amanda Elwes and Rupert Fraser have all the poise for the Windermere, but neither of them releases all the emotional intensity that is so crucial to these characters. Simon Dutton, as Lord Darlington, makes a very persuasive alternative suitor for Lady Windermere. But he and Windermere are so serious that we cannot believe they would socialise with the two-dimensional dandies around them. The dandies need more depth, and the rival lovers more wit, if all the facets of Wilde are to fall into place. In short, this staging is not yet fully alive on its own terms, let alone Wilde's.

Alastair Macaulay

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The burned Grand Reception Room at Windsor Castle; a detail from one of Alexander Creswell's watercolours commissioned for the Royal Collection

Windsor after the fire

In the age of the photograph, the uses of the work of art as a means of topographical or architectural record may often be overlooked, but the argument remains. In matters of particular emphasis and annotation, and of personal experience and response, the drawing or painting may take on a selective authority which the supposedly all-seeing camera can seldom match. There was Turner, watching from the river as the old Houses of Parliament went up in flames: there was Paul Sandby, noting down the informal daily life of the Windsor Castle of the 18th century; there too, under darker northeastern skies, was John Piper, seeing the Castle in wartime through more dramatic eyes - "you don't seem to have had much luck with the weather, Mr Piper", remarked the King.

The great fire at Windsor Castle, late in 1992, touched a national, indeed an universal nerve, as the image went round the world of one of the great monuments and symbols of nationhood about to be, so it seemed, destroyed. No doubt, in its aftermath, every single square inch of the damage has been dutifully photographed, but how good it is to learn that an artist, Alexander Creswell, was also called in to make more subjective, perhaps, but no less pertinent a record.

The damaged part of the Castle, he tells us, "had been wrapped in

plastic sheeting...isolated from the world...enshrouded. The sun filtered through from above...The plastic sheeting rustled...pigeons flapped around somewhere above...tourists gazed in...a band struck up in the Quadrangle, the tunes echoing round the empty walls, distorted and remote...The damage inside the Castle had created a fantasy, a ghost of a palatial

and dramatic, the significant detail - the skeletal rafters, the isolated malachite vase, a corner of gothic tracery, an empty frame - well-chosen and well-observed.

But they are better than that, something more than of merely superficial interest and indulgence. A good story, after all, can bear the bad telling: told well, we are hardly aware of the telling at all. And Cre-

more than the full-dress paintings give us this picture of the true artist, unselfconsciously absorbed in the subject.

There is in all this, however, something of a paradox and a word of warning. Crewell is clearly a skilful painter, master of his chosen medium and his favoured architectural subject-matter. That said, it may well be that so strong and extraordinary was the experience afforded him by the devastation of Windsor Castle, that there was nothing for it but for him to lose himself and all his skill in the magnificent awfulness before him — which is precisely why his Windsor work is so successful.

Since 1970 the post of Kapellmeister in Leipzig has been held by Kurt Masur, who has proved a noble guardian of the tradition. It is easy to believe that the unforgotten

For a country of its size, Finland has produced more than its share of notable singers, from Aino Ackté to Jorma Hynninen. Representatives of the youngest generation include the soprano Karita Mattila and mezzo Monica Groop. In what became a Finnish mini-festival at the Wigmore Hall, both gave recitals there in the last few days.

Since Mattila burst onto the international scene a decade ago, her voice has filled out. Her tone is now full and creamy, something on which she seems to rely too much: there was a sameness about her opening works, a group of Schubert's Italian Songs and a selection from Mahler's *Lieder und Gesänge aus der Jugendzeit*.

The rest of the programme revealed Mattila's powers better. In two Runeberg settings of Sibelius, "Arioso" and "The Maiden's Tryst", she soared through the desolate, wide-ranging lines impressively. Strauss's extraordinary *Drei Lieder der Ophelia* were evocative.

Schumann was an important influence in the same period and his widow, Clara, continued to perform with the orchestra as a pianist until 1889. The Barbican has already seen some notable Schumann concerts this year and so Masur faced greater competition here. With their respective chamber

Finnish singers

caught the distinctive mood of each, from the mystery of Pushkin's "Oh, never sing to me again" to the impassioned "What wealth of rapture". Mattila has a fluent, idiomatic way with languages, and sang the Rakhmaninov with a Russian giant.

Monica Groop - who last month was a touching Vera in *Convent*

Garden's new *Kadya Babazona*—made an exciting Wigmore Hall debut on Thursday. She is a more "complete" artist than Mattila, more responsive to texts, and better able to communicate them to her audience. Her deep, natural musicality ensures beautiful phras-

Richard Fairman
Barbican concert sponsored by
West Merchant Bank; Leipzig
Gewandhaus's 250th European
anniversary tour sponsored by Ken-
wood


ing. Groop has devoted time to oratorio work out of the limelight, but her even, glowing tone makes her one of the most exciting young voices around today.

Groop revealed reserves of radiance in her Brahms and Strauss *Lieder*, but was perhaps strongest of all in the *Sibelius* songs (which she has just recorded for BIS), performed with an icy passion. We heard several of the composer's

Swedish settings, but the handful of Finnish songs - whose lines rise and fall gamely with the poetry - were most beguiling of all; she also sang Sibelius's only English song, the noble *Hymn to Thais*. Accompanied by Gustav Djupesjöbacka, Group brought the country girl of Grieg's great *Haugtussa* cycle to vivid life through acts so versatile

John Allison

[illegible]

ROYAL FESTIVAL HALL SUNDAY 8 MAY 7.30 pm
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RUSSIAN NATIONAL ORCHESTRA
MIKHAIL PLETNEV Conductor/Soloist
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Weber Konzertstück Op.79
Tchaikovsky Symphony No.4
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SPRINK, King Street, St James's, SW1, 12-26 April, Alexander Spector: Windsor Castle, The Aftermath of the Fire (a loan exhibition from the Royal Collection), *The Splendour of Imperial Europe*. Mon-Fri, 10am-5.30pm, Tu-Sat 11am-7.30 pm.

LEFFVRE GALLERY, 30 Bruden Street, W1, 071-483 2107, Stage Designs by EDWARD BUPPA, 14 April - 12 May, Mon-Fri 10-5.



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Mozart
cast includes
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Olaf Bär
Renee Fleming
Chamber Orchestra of Europe
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Catherine Weiss (baroque violin)
Mark Caudle (baroque cello)
Paul Nicholson (harpsichord)*

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Handel: Trio Sonata in F, Op. 2 No 5
Arne: Trio Sonata in D, Op. 3 No 5
C P E Bach: Trio Sonata in A
Rameau: Pièces de clavecin en concerts, No 4

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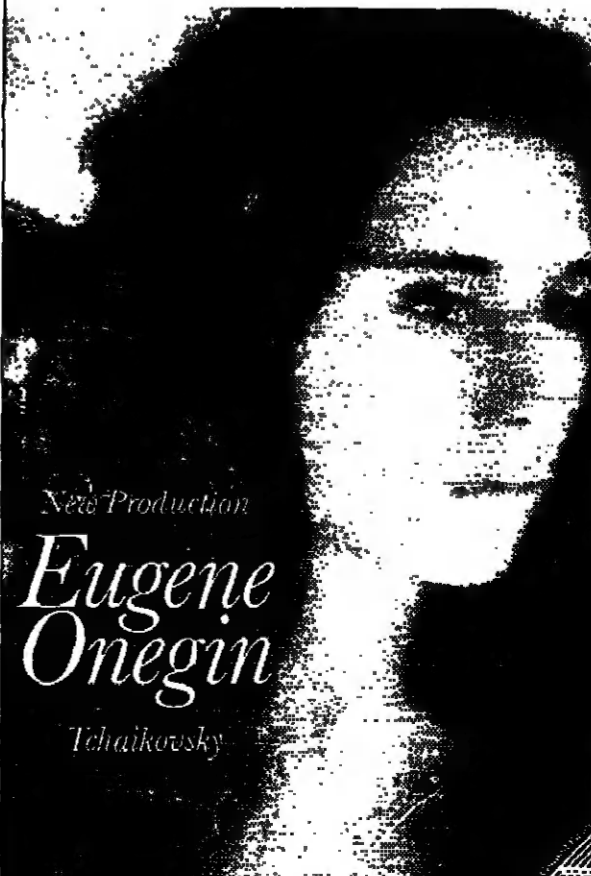
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Onegin*
Tchaikovsky

[illegible]

صهكنا من الالاهل

CHESS

REGIONS

TV PROGRAMS ARE LONDON SUBJECT AT THE FOLLOWING CHANNELS:

ANGLO:

12.30 Mowles, Games and Videos, 1.05 *Anglo News*, 1.55 *World Cup Half of Fame*, 2.10 *Nigel Marsall's IndyCar '94*, 2.40 *Cartoon Time*, 2.45 *The Intelligence Menu*, (1905) 2.55 *Anglo News* and 10.15 *Anglo Weather*, 11.20 *Obssession*, (1978)

BORDER:

12.30 *Border News*, 1.05 *Border News*, 1.10 *Nigel Marsall's IndyCar '94*, 1.40 *Sail the World*, 2.10 *European Cup Specialist*, 2.40 *Movies*, *Games* and *Videos*, 3.00 *World Weather*, 3.05 *Agent of the Week*, 3.10 *World News and Weather*, 11.20 *Obssession*, (1978)

12.30 America's Top 10, 1.05 *Central News*, 2.10 *WCW Worldwide Wrestling*, 2.20 *The Ray Guy*, 2.45 *10.15 Central News*, 5.00 *The Central Matchup - Goals Extra*, 11.20 *Top of Duty*, (1978)

CHAMP:

12.30 *Sport*, 1.05 *Granatex Headline*, 1.40 *Tele-Sport*, 1.55 *Central News*, 2.00 *Language*, 2.40 *Nigel Marsall's IndyCar '94*, 2.10 *Sail the World*, 2.50 *European Cup Specialist*, 3.00 *World Weather*, 3.05 *Agent of the Week*, 3.10 *World News and Weather*, 11.20 *Obssession*, (1978)

GRANATAX:

12.30 *SPORT*, 1.05 *Granatex News*, 1.10 *Nigel Marsall's IndyCar '94*, 1.40 *Sail the World*, 2.10 *European Cup Specialist*, 2.40 *Movies*, *Games* and *Videos*, 3.00 *World Weather*, 3.05 *Agent of the Week*, 3.10 *World News and Weather*, 11.20 *Obssession*, (1978)

HTV:

12.30 *World Cup Half of Fame*, 1.05 *HTV News*, 1.40 *Sail the World*, 2.10 *Nigel Marsall's IndyCar '94*, 2.40 *The Intelligence Menu*, (1905) 2.55 *HTV News*, 3.00 *World Weather*, 3.05 *Agent of the Week*, 3.10 *World News and Sport*, 10.15 *HTV Weather*, 11.20 *Obssession*, (1978)

IRISHNEWS:

12.30 *Irish News*, 1.05 *Irish News*, 1.40 *Sail the World*, 2.10 *European Cup Specialist*, 2.40 *Movies*, *Games* and *Videos*, 3.00 *World Weather*, 3.05 *Agent of the Week*, 3.10 *World News and Weather*, 11.20 *The Last Ride of the Central Gang*, (TVM 1978)

SCOTTECH:

12.30 *Extra Time*, 1.05 *Scotland Today*, 1.10 *Scotland Our Language*, 1.40 *Links*, 2.10 *Europe*, 2.40 *Scotland Today*, 2.50 *Scotland Today*, (1905) 2.55 *Scotland Today*, 11.20 *Don't Talk Down*, (1978)

TYNE TIMES:

12.30 *Movies*, *Games* and *Videos*, 1.05 *Tyne Times News*, 1.55 *Robin and Marian*, (1978) 3.45 *Weight Rider*, 4.55 *Tyne Times Saturday*, 11.20 *Obssession*, (1978)

WARRICK:

12.30 *Blockbusters*, 1.05 *Utv Live News*, and *Sport*, 1.40 *Set of Britain*, 2.10 *Movies*, *Games* and *Videos*, 3.00 *Cartoon Time*, 3.05 *Utv Live News*, 3.00 *World Weather*, 3.05 *Utv Live Early Evening News*, 5.05 *Saturday Sport*, 10.15 *Utv Live News*, 11.20 *Obssession*, (1978)

WESTCOUNTRY:

12.30 *Movies*, *Games* and *Videos*, 1.05 *Westcountry News*, 1.40 *ISA Basketball*, 2.40 *Breastline It*, *Electric Boogaloo*, (1905) 2.55 *Cartoon Time*, 4.55 *Westcountry News*, 11.20 *Obssession*, (1978)

WYOMOUTH:

12.30 *Movies*, *Games* and *Videos*, 1.05 *Cartoon Time*, 1.55 *Robin and Marian*, 2.05 *Weight Rider*, 4.55 *Calender News*, 11.20 *Obssession*, (1978)

REGIONS

[illegible]

[illegible]

EVERY chessplayer who takes

only previous recorded chess event in the Kremlin was when Capablanca played simultaneously against the Politburo in 1925. The occasion was secretive – the Politburo top board, V.I. Lenin, died the previous year. The Intel event is televised, has a large audience, and a spectacular set, designed by the Bolshoi Ballet, of Kremlin towers as pieces.

Viktor Korchakov, who left the Soviet Union in 1978 and was reviled as a traitor when he challenged for the world title, enjoyed a triumphant return. The 62-year-old recovered from three lost positions to eliminate Michael Adams.

No 1018
White mates in two moves,
against any defence (by Ed
Winter-Wood, 1900).

Solution Page XXI

Leonard Barden

Leonard Barden

four, declarer won with dummy's ace, cashed the club ace and followed with the eight. Taking with his king, South led another club. West played a deceptive queen, ruffed by the seven and overruffed by the eight. East lost back the spade three, a suit preference signal for another club. West won the club knave was ruffed by the heart knave, and overruffed by the queen. There was still a diamond to be lost, so declarer went one down. Indifferent play by South.

Let us replay the hand. At trick four we do not ruff the third club, but discard dummy's seven of spades. West continues with the spade queen, ruffed by the heart five. Now we cross to our heart king and ruff the club seven with the knave of hearts. East overruffs, but we are in control. We ruff a spade, discard the knave of hearts, and claim our contract, including one diamond.

E P C Cotton

Solution by VIXEN

A 300 fountain pen, inscribed with the solution opened and five runner-up solutions by Wednesday May 4, marked to the Financial Times, Number One Solution on Saturday May 7.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28

DOWN
on the quiet craft-


- 2 Turn up, not for the first time
- 3 And upset a paperer (8)
- 4 The train was late and unfortunately
- 5 On the railway (6)
- 6 The unpleasant character in
- 7 The train was not the same
- 8 Caught over the way a worker
- 9 Can get even (8)
- 10 That really does make one
- 11 Sick! (6)
- 12 A quarter remains – and they
- 13 May be worn (6)
- 14 The well-educated persons seen in action (7)
- 15 Pilot holding up many a ves-
- 16 sel (8)
- 17 A refusing people will accept say
- 18 They (8)
- 19 Some structures having no
- 20 Top – no shape (8)
- 21 Capital executors (8)
- 22 The astrologer's nest (8)
- 23 The vehicle accommodating
- 24 Ten perhaps (6)
- 25 Saw a man over fifty into bed
- 26
- 27 Sound water supply (4)

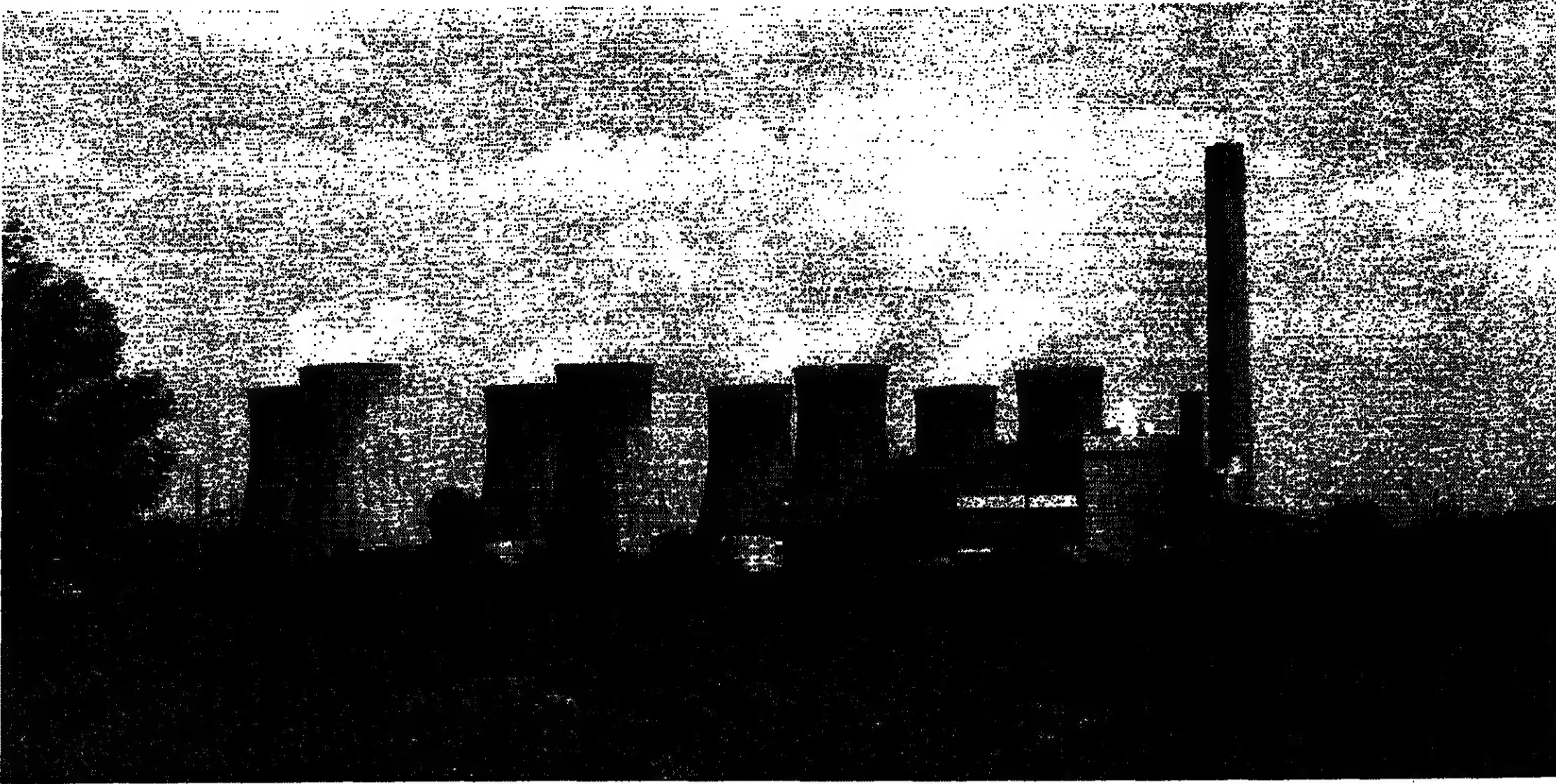
Solution R, 424

ENSINK BID
AGIRY

FLOATION MIGHT
 I L I N A E E S
 SIDLING BETH
 H S L R S E
 CURE CHRISE
 P U P L O M
 AWARE ABEGMENT
 R L I S N S E
 AVALOONES SALON
 O M E S U I C
 ELY SALESPEOPLE

Ghimlaolom, Strathclyde; Rev P.R.
 Atkinson, Ramsey, Essex; C. Savage,
 Lomb, York; S. Woolkey, Luton.





Many of the staff of power stations in mining areas had fathers, sons and brothers who were striking miners. The slightest provocation could have brought them out on strike.

We kept the home fires burning

Frank Ledger was the CEBG's director of operations during the 1984-85 coal strike. Howard Sallis was central director for industrial relations at the Electricity Council. This is their account of events.

Ten years ago today, the officials who controlled Britain's electricity supply met to assess the first phase of a huge emergency operation upon which the fate of Margaret Thatcher's UK government depended – and much more besides.

A month earlier, on March 28, Sir Walter Marshall, chairman of the Central Electricity Generating Board, and his fellow board members had to decide whether to commit themselves to an all-out effort to prevent striking miners from causing power cuts throughout the land.

It was a question of the greatest delicacy. The board was determined to keep the lights burning and knew that if the CEBG was successful the miners would probably be defeated. But it dared not be seen publicly to take a political position.

The first important question was whether to increase output from the big oil-fired power stations to maximum to conserve coal stocks. Oil was then twice as expensive as coal, so the potential cost was hundreds of millions of pounds. But at that time no one knew how many pits would join the strike nor how long they would stay out.

With coal stocks at an all-time high for the time of year (24m tonnes), it might have seemed an odd time to start spending money on oil. But we knew that maintaining electricity supplies would be a close-run thing, much closer than was generally believed at the time.

If the strike were to consolidate and run through to the autumn, when cold weather increased power consumption, the lights would start to go out after about three months. The miners would then have a good chance of repeating the victory they achieved over Edward Heath's government in 1974. He called an election and lost after a period of extensive power cuts, a state of emergency and a three-day week for industry.

The board had to keep quiet about its difficulties. It knew that all the skill in the world could not save it from failure if its actions were seen as part of the fight against the miners. Many power station workers in mining areas had fathers, sons and brothers who were striking miners. The slightest provocation could have brought them out on strike too.

Yet while appearing neutral on the political issues, the board knew that in order to maintain supplies,

it must make huge changes, of which the shift to oil was only a start. Even before the strike, the board had been laying its plans. Stocking facilities were increased and suppliers were only given contracts if they were prepared to supply through picket lines. Arrangements were made to fly in materials by helicopter: moving sulphuric acid by helicopter had its difficulties.

These preparations led to some anxious debates within the board. Were they a political act to defeat the miners or were they undertaken to enable the board to do its statutory duty during a dispute in which it was not directly involved? The latter view prevailed.

Then, when the strike was underway, switching to oil brought new complications. It was done in a phased programme, ending on April 23, from the normal 30,000 tonnes a week up to what was then thought to be the maximum of 360,000 tonnes, saving 600,000 tonnes of coal burn.

One obvious danger was that such a big shift would drive up prices on the international oil market. Less obvious was the possibility that the whole national grid system could crash because of the huge flows of power from oil-fired stations in the south for which the grid was not designed. Complex computer studies were needed to find out whether the system could cope.

Then extremely delicate negotiations with our staff were needed to persuade them to run the oil-fired stations full out instead of just at peak periods as would have been normal for the time of year. At the Isle of Grain, for example, the newest and largest of the oil stations, staff were asked to work about 70 hours per week, almost twice their normal hours.

How could they be persuaded to take on extra work which might easily be seen as strike-breaking? First there was the money: for some, about twice their normal rates; but more important for many men may have been a strong moral sense of duty to consumers – including old people and hospitals. They may also have feared that after the strike their jobs might have been in danger if high oil prices led to the mothballing of their station.

As the pattern of the strike became clearer, new problems emerged. The rail unions were giving strong support to the striking miners and little coal from working pits, particularly those in Nottinghamshire, was being transported to the power stations. British Rail was prepared to discipline staff but not to risk passenger services. No one wanted a national rail strike. The answer was to turn to road trans-



Pickets at the Isle of Grain power station, Kent, during the miners' dispute.

port, but this was far easier said than done. Hundreds of contractors were engaged. With the help of local authorities and police, routes were arranged through quiet country lanes and villages. It was a huge enterprise. At each of the large power stations 5,000 lorry loads of coal a week were needed to replace 100 trains. It took time to build up the fleets, and lorries and their drivers had to be given protection against assault, both overnight and on journeys through picket lines.

Frank Ledger and Howard Sallis, instrumental in the defeat of Britain's miners 10 years ago, tell how they kept the power stations supplied – and managed to keep it quiet. All the skill in the world could not save the CEBG from failure if it was seen to be fighting the miners.

Through the summer, the combination of high oil-fired generation and road-borne coal supply gave us some feeling of security. About 250,000 tonnes of coal a week was then being transported by road with over 800,000 tonnes a week of coal being saved by the oil burn. This compared with a normal requirement of the equivalent of just under 1m tonnes of coal burn a week.

The coal stocks had fallen by 6m tonnes to 18m by the time the new operational regimes were in place, but were falling only moderately by the summer and in mid-summer hardly at all. However concern over winter electricity supplies was deepening.

The strike was going on longer than we had expected and looked as

though it would last into winter. If we could not improve our supply position we would not be able to get through the period of high electricity demand without power cuts. A national dock strike had been called. This related to events in steel but concerned us because much of our oil supply was dependent on tankers. We could be affected if tug crews and berthing staff became involved.

This made us all the more determined to improve our supply position. We were getting on with this

when, towards the end of July, a group of government ministers, receiving monitoring reports, expressed their anxieties to Thatcher, suggesting that stronger measures were necessary, including the possible use of troops and the forcing of coal flows from stocks at striking pits into stations not receiving supplies. Sir Walter Marshall promised Thatcher that we would get through the winter without power cuts. He believed we could do better than we were predicting. Gil Blackman, the board member for operations, who had been directing the CEBG's response to the crisis, then had to make sure Sir Walter's promise could be kept. But it would be difficult.

Prodigious efforts were made to

conserve coal. We had thought we were burning as much oil as the system could bear. But could we perhaps do better? At every coal-fired power station where it was possible to burn more oil with the coal, we did so. This required a further massive road tanker operation.

Four medium-sized oil-fired stations which had been closed were repaired and brought back into service. Five large coal-fired stations not receiving coal supplies were modified to burn oil. They could not do anything like full load, but their help was substantial. Some elderly components from closed oil-fired stations were hurriedly adapted.

And the large oil-fired stations managed to thunder away with some of them at an output well beyond the normal design limit for continuous working. The two newest stations, Grain and Littlebrook in south east England, went to high levels of overload. We crossed our fingers that they would be able to maintain this over the winter.

Gas turbine generators, normally used only for short bursts of power at times of peak demand, were used for prolonged periods at as high an output that their road-borne oil supplies allowed. This meant more road tankers and also special repair lines for servicing the gas generators, which were really aircraft jet engines similar to those used in Concorde or Vulcan bombers. The Ministry of Defence helped us by providing one of those lines.

The CEBG Regions showed great inventiveness in finding new ways to burn oil. So by mid-winter, the oil burn had increased to 600,000 tonnes a week with oil-fired generation capacity doubled. About 1m tonnes of coal a week were then being saved.

About a third of this oil was being supplied by pipeline from refineries next to some of the power stations, the remainder being supplied by a mixture of term contracts and spot purchases. The board's staff made every effort to control the price by refusing offers at high prices, even if that meant stopping purchases from time to time. It was a gamble but it worked. The aim was to limit the price to \$190 a tonne. We were purchasing oil from all over Europe and the east coast of America.

There were many problems, including an arrested ship, unhelpful interventions by Customs and Excise which threatened to surcharge oil being imported from the Dutch Antilles, and embarrassing publicity over the use of Soviet ships. We were buying more oil than some smaller members of the Organisation of Petroleum Exporting Countries were producing.

We further increased the transport of coal by road. The volume was doubled by the early winter.

Some 600,000 tonnes a week were being moved using 2,000 lorries with more than 1,000 loads a day arriving at some stations. Every available lorry was used.

But this was not enough. Some power stations which supported the striking miners were still not receiving coal supplies. We judged that it was unwise to risk a full-scale conflict by forcing the delivery of coal to these stations or by building up their oil burn. These stations were therefore reserved for use during the winter peaks. At the start of the winter they needed a total of 3.5m tonnes of coal to play that role. But they were more than 400,000 tonnes short of this figure.

If this problem were not solved we would still have power cuts in cold winter periods. That would improve the strikers' morale.

It was decided to try to force coal into Didcot power station. This was ultimately achieved by prolonged persuasion and pressure after power station staff refused to use the coal and then to maintain the equipment for handling it.

The coal flow began on November 8 but it was not until January 20 that it was possible to class Didcot as a normal coal-receiving station. Aberthaw and Uskmouth in south Wales and also Brighton were turned by the same means into stations operating normally.

By Christmas, Sir Walter was able to tell the government that we could get through the winter and maintain supplies to the end of 1985. We were not certain about this, but confidence was growing.

And when very cold weather occurred over two weeks in January, record levels of electricity demand were met in full.

On January 17 the highest demand of the winter occurred. The success of the CEBG in meeting these peaks seemed to take the stuffing out of the striking miners and marked the beginning of the end of the strike.

By March 5 it was over. The board, had kept the lights on, at a cost to the taxpayer of more than £2bn, most from the oil burn. The oil had saved 4m tonnes of coal. At the end of the strike, power station coal stocks were 11m tonnes. Had it not been for all of the initiatives, the outcome could have been different. The margin between Thatcher's famous victory and ignominious failure had been extremely narrow.

Frank Ledger and Howard Sallis are joint authors of Managing the Power Supply, an inside story of crisis management, to be published by Routledge in October. A television documentary, The Men Who Kept the Lights On, which is based on the book, will be broadcast tonight on BBC2 at 7.10pm.

and out of the exchange rate system, it has a structural balance of payments surplus. Some French private sector industries are world leaders and the economy has enjoyed a decade of low inflation.

The lesson is that a long period of sometimes painful reform is of only limited use if you do not know what to do afterwards. The official British solution today is "more change, more change" because change is what Britons are good at. The French are good at running a system that was put in place by the Vichy government 50 years ago and by the post-war Fourth Republic. Anyone trying to tackle its problems today runs up against colossal vested interests, but then it more or less works, because French officials make it work.

So Berlusconi faces an interesting challenge. Is it worth changing an appalling system that has served Italy quite well? And if it is changed, will the new one be any better?

James Morgan is economics correspondent of the BBC World Service.

HAWKS & HANDSAWS

been offered Kentucky fried chicken by the Dayak, and that he hated cats and aeroplanes for "robbing the world of all diversity".

He "resented" virtually all the material manifestations of western civilisation. But then he said something with which I still agree. He was talking about television, which he considered a terrible intrusion.

"Why the hell," he asked, "should you want to know there's been a massacre in Rwanda one hour after it's happened?"

A supremely good question. Why would we want to know there's been a massacre in Rwanda one hour after it's happened – unless it affected the gorillas, Rwanda's most important denizens, whose safety were threatened by human fighting, would trigger alarm among those concerned about stewardship of the planet.

I thought about Thesiger's question for a long time. There is no answer – no reason why we should want or need to know about a massacre in Rwanda one hour after it has happened.

There is a great deal we do not need to know. But they tell us anyway. My opinion is not a secret. In the good news/bad news debate, I stand with the good guys – those who believe that newspapers and television emphasise bad news at the expense of the good.

Quite soon, the world's media magnates will wake to this simple truth: bad news is depressive, good news is stimulative; bad news makes people fearful, good news makes them happy. Bad news is bad for business. So make them happy.

This week I scrutinised the newspapers. The same old mixture – bad news, bad news, a spot of good news, bad news, bad news. That is not how it should be done. Soon, I predict, the media moguls will instruct their staffs to accentuate the positive and merely summarise the negative.

Rwandan? We do not need to know the full and horrid details, the rapes and mutilations. Nor do we need photographs. Soon, this is what we will read, crafted by an expert team: "There has been unpleasantness in Rwanda. But the country's famed gorillas are not affected."

John Major? "The prime minister took to the hustings yesterday. Things did not go well."

Terrorism in Northern Ireland? "There was a loud bang in Belfast yesterday."

Crime? "Misbehaviour in certain areas is on the increase, said a police spokesman, but declining in others. He said this was to be expected."

Bosnian air-strikes? "President Clinton said that United Nations safe havens in Bosnia were less safe than he wanted, and that some form of action was on the cards."

Wrangling over the anniversary of the second world war Normandy landings? "Spin-merchant" Sir Tim Bell confirmed yesterday that Spain fry-ups were his aim mega-brainwave for celebrating D-Day's 50th anniversary, and said: "Even when I worked in advertising, I was still proud of my common roots. I firmly believe that Spain fry-ups gave the allied forces a crucial edge when reading for the conceptions in Normandy all those years ago."

The struggle to form a government in Italy has distracted attention from the truth that the worst is yet to come. Just consider the situation in two other countries. An editorial in an important paper runs: "There is no doubt that the next time the prime minister takes a stand on any issue he will have to retreat." The Englishman thinks: "No doubt about it, Major's finished." The Frenchman: "Balladur, il est fini."

Italy's Silvio Berlusconi should take note. It was two years ago that John Major unexpectedly won an election in the face of long odds and the opinion polls. He is now nearly as unpopular as his government. Edouard Balladur gained a crushing victory a year later and became the most popular man in France. Now his ratings are in steep decline.

Balladur provides a particularly instructive example of a negative kind for Berlusconi. He aimed to reduce the state sector, cut public spending and back at the disused social undergrowth. He has been

thwarted at every turn. The latest attempt to deal with Air France marks only preliminary skirmishing before a number of desperate battles over what *Liberation* calls "the flying Louvre". The first one was lost.

Alessandro Merli of *Il Sole-24 Ore* of Milan was in London to cover the 1992 election and says the recent Italian poll was a rerun of that affair. Achille Occhetto, leader of the left, behaved just like former labour leader, Neil Kinnock, and lost. He even said taxes might have to rise. Berlusconi said: "We are the party of tax cutters" and won.

The election victory that the left looked to have in the bag in the winter, withered as the days lengthened.

Berlusconi has probably taken no

As they say in Europe/James Morgan

Warning lights flash in Italy

notice of the obvious precedents but he will have a hard job to avoid following them. He may choose the Major way and suddenly find that tax rises are essential. He might even take a strong stand on a trivial issue or two and cave in.

Or there is the minor, Balladur way: put up policy proposals and withdraw them as soon as the most affected object. But there is also the possibility that Berlusconi might be a new Thatcher: the economists around him make Anglo-Saxon free-market fanatics look wet.

The only trouble is that nowhere in western Europe is Lady Thatcher seen as the beacon she manifestly believes herself to be. Britain is more often held up as an awful warning of the consequences of free

market radicalism. Berlusconi ensures his radical ideas are, for the moment, kept to discussions among his backroom boys. He would not have shared an election platform with her even though he seems to be motivated by the same instincts.

The British reply to the anti-party their example arouses should not be the kind of bonafides that sometimes emanates from Conservative circles. It should run along the lines of: "Think where we would be if we hadn't radically reformed. Think of those vast loss-making state industries that have been revitalised and sold off. What if public spending had not been kept under some kind of control through the 1980s? If trade unions had not been reformed?"

Economic reform does not necessarily mean things work well after the right systems have been put in place. Economic management still has to be competent. Britain has a brilliantly reformed economy but those in charge have not always shown a deft hand in running it.

Balladur's failures have ensured France still has an ludicrously structured economy. There are nationalised banks which have become a dustbin for the bag ladies of French industry; subsidised state industries which should be closed down; public utilities which would be insolvent if they were private entities. A minimum wage was pitched so high that mass unemployment is an inevitable result. Yet France has a currency that is worth more than when the markets forced it down

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